

## Earnings release

# BANCO BPI CONSOLIDATED RESULTS IN 2016

(Unaudited)

Oporto, 26 January 2017

(Consolidated figures and y-o-y changes, except where indicated otherwise)

### CONSOLIDATED

- **NET PROFIT OF 313.2 M.€;**
- **ROE OF 13.4%;**
- **COMMON EQUITY TIER 1 CRD IV / CRR RATIO:**
  - **PHASING-IN: 11.4%;**
  - **FULLY IMPLEMENTED: 11.1%.**
- **WITH A SREP 2017 RATIO OF 11% BPI COMPLIES THE SREP 2017 MINIMUMS OF CET 1 (9.25%) AND TIER 1 (9.75%);**
- **TO COMPLY WITH A TOTAL RATIO OF 12% (MINIMUM SREP OF 11.75% + 0.25% BUFFER) A SUBORDINATED DEBT ISSUE OF UP TO 250 M.€ IS REQUIRED;**
- **EFFICIENCY RATIO OF 53.5%.**

### DOMESTIC ACTIVITY

- **NET PROFIT OF 147 M.€;**
- **ROE OF 7.7%;**
- **FINANCIAL MARGIN INCREASES 14.3%;**
- **DOMESTIC OPERATING INCOME FROM BANKING INCREASES 7.4%;**
- **OVERHEAD COSTS<sup>1</sup> DECREASE 12.2 M.€ (2.5%);**
- **CREDIT AT RISK RATIO OF 3.7%;**
- **BETWEEN 2007 AND 2016, THE BANK REDUCED THE OVERHEAD COSTS BY 19% (- 113.6 M.€) AND FROM 2008 TO 2016 DECREASED THE NUMBER OF BRANCHES BY 34% (-272) AND THE NUMBER OF EMPLOYEES BY 29% (-2 260). CREDIT AT RISK RATIO DECREASED FROM 4.8% TO 4.6%;**

### INTERNATIONAL ACTIVITY

- **CONTRIBUTION OF INTERNATIONAL ACTIVITY TO NET PROFIT OF 166.3 M.€;**
- **ROE OF 37.5%;**
- **BFA NET PROFIT OF 338.3 M.€, THE HIGHEST EVER;**
- **BFA NET PROFIT ATTRIBUTABLE TO BPI OF 162.7 M.€ IS THE HIGHEST EVER;**
- **BFA EFFICIENCY RATIO OF 32%;**
- **BFA NUMBER OF CUSTOMERS REACHES 1.6 MILLION;**
- **INVESTMENT OF 3.3 M. € IN BFA IN 1993 GENERATED, IN 23 YEARS, A CASH RETURN OF 945 M.€, THAT ADDS THE CURRENT 48.1% STAKE WHICH, VALUED AT SHAREHOLDERS' EQUITY, AMOUNTS TO 449 M. €.**

<sup>1</sup> Overhead costs excluding early retirement costs and gains from the revision of the Collective Labour Agreement

## BPI GROUP CONSOLIDATED RESULTS

### Accounting of BFA as of 31 December 2016

In January 2017, the sale by BPI to Unitel of a 2% stake in BFA's share capital, which was intended to resolve the situation of exceeding the limit of the large risks with which Banco BPI was confronted, resulting from BFA's exposure to Angolan public debt, took place. Following that transaction, Banco BPI now holds 48.1% of BFA's capital and Unitel 51.9%.

The sale of the 2% of BFA will be accounted for in the first quarter of 2017.

On 31 December 2016, the form of recognition of BFA's participation in the consolidated accounts according to IFRS 5 was altered to "Non-current assets held for sale and discontinued operations".

In this document the information is presented in accordance with said IFRS 5 standard (unless expressly stated otherwise):

- BFA has been classified as a discontinued operation
- The contribution of BFA to the Consolidated Net profit was recorded in the Income Statement in a single caption "Net Profit of discontinued operations"
- The total assets and liabilities of BFA are presented separately in the Consolidated Balance Sheet using the captions "Non-current assets held for sale and discontinued operations" and "Non-current liabilities held for sale and discontinued operations"

Thus, the consolidated values of most of the cost / income items as well as assets / liabilities mainly reflect the BPI Domestic activity, since BCI Mozambique is recognized by equity method, and BPI Capital África and BPI Moçambique – both part of the International activity segment and consolidated by global integration –, have reduced expression.

2015 pro forma income statements are presented reflecting the retroactive application of IFRS 5 to the recognition of the 2015 BFA results.

## I. CONSOLIDATED RESULTS

### Net profit

**Net profit of 313.2 million euro** – BANCO BPI (Euronext Lisbon - Reuters BBPI.LS; Bloomberg BPI PL) recorded a consolidated net profit of 313.2 million euro (M.€) for the financial year of 2016, which corresponds to a 32.5% increase relative to 2015. Earnings per share (Basic EPS) were 0.216 € (0.163 € in 2015).

The contribution from the **domestic activity** rose 58% (53.9 M.€) to 147.0 M.€.

The contribution from the **international activity** rose 16% (+23.0 M.€) to 166.3 M.€.

### Return on shareholders' equity (ROE)

The **return on shareholders' equity (ROE)** was 13.4% in 2016 (10.4% in 2015).

The return on shareholders' equity in the domestic activity improves from 5.2% to 7.7% in 2016.

In the international activity, in its individual accounts, BFA's posted a return on shareholders' equity (non-consolidated ROE) of 41.4% in 2016 (33.6% in 2015) and BCI's non-consolidated ROE reached 12.4% (18.6% in 2015). The ROE of the international activity (after consolidation adjustments) stood at 37.5% (30.5% in 2015).

### Capital allocation, results and ROE by business area in 2016

Amounts in M.€

	Domestic activity	International activity		BPI Group (consolidated)
		BFA (individual accounts)	Contribution to consolidated (BFA, BCI and Other)	
Capital allocated adjusted <sup>1</sup>	1 901.3	817.2	443.8	<b>2 345.0</b>
As % of total	81.1%	-	18.9%	<b>100.0%</b>
Net income	147.0	338.3	166.3	<b>313.2</b>
<b>Return on Shareholders' Equity (ROE)</b>	<b>7.7%</b>	<b>41.4%</b>	<b>37.5%</b>	<b>13.4%</b>

1) In the calculation of the ROE the average accounting capital is considered excluding the fair value reserve (net of deferred taxes) relating to the portfolio of available-for-sale financial assets.

**Consolidated income statement**

Amounts in M.€

	<b>Dec.15</b> as reported	<b>Dez.15</b> proforma	<b>Dec.16</b> as reported	<b>Dec.15 Prof / Dec.16</b>	
				<b>Chg. M.€</b>	<b>Chg.%</b>
Financial margin	663.4	356.2	407.4	51.2	14.4%
Technical result of insurance contracts	31.8	31.8	24.6	( 7.2)	-22.6%
Net commission income	324.7	255.2	259.4	4.2	1.7%
Net income on financial operations	194.6	47.9	48.9	1.0	2.1%
Net operating income	( 32.6)	( 24.7)	( 23.8)	0.9	3.7%
<b>Operating income from banking activity</b>	<b>1 181.9</b>	<b>666.4</b>	<b>716.6</b>	<b>50.2</b>	<b>7.5%</b>
Personnel costs	385.3	302.4	308.0	5.6	1.9%
General administrative costs	249.2	178.0	168.6	( 9.4)	-5.3%
Depreciation and amortisation	36.1	19.9	21.4	1.5	7.5%
<b>Overhead costs</b>	<b>670.6</b>	<b>500.3</b>	<b>497.9</b>	<b>( 2.3)</b>	<b>-0.5%</b>
<b>Operating profit before impairments and provisions</b>	<b>511.3</b>	<b>166.1</b>	<b>218.6</b>	<b>52.5</b>	<b>31.6%</b>
Recovery of loans, interest and expenses	18.2	16.2	13.7	( 2.5)	-15.5%
Impairment losses and provisions for loans and guarantees, net	137.0	103.4	33.0	( 70.4)	-68.1%
Impairment losses and other provisions, net	19.5	15.9	36.5	20.6	129.4%
<b>Net income before income tax</b>	<b>372.9</b>	<b>63.1</b>	<b>162.9</b>	<b>99.8</b>	<b>158.1%</b>
Income tax	29.1	2.1	44.7	42.6	1998.3%
Earnings of associated companies (equity method)	33.4	33.4	26.2	( 7.2)	-21.7%
<b>Net income from continuing operations</b>	<b>377.2</b>	<b>94.4</b>	<b>144.4</b>	<b>50.0</b>	<b>52.9%</b>
Net income from discontinued operations	0.0	282.8	337.7	54.9	19.4%
Income attributable to non-controlling interests from continuing operations	140.8	0.0	0.0	0.0	4.1%
Income attributable to non-controlling interests from discontinued operations	0.0	140.8	168.8	28.0	19.9%
<b>Net Income</b>	<b>236.4</b>	<b>236.4</b>	<b>313.2</b>	<b>76.9</b>	<b>32.5%</b>

Note: 2015 proforma reflecting the retroactive application of IFRS 5 to the recognition of BFA 2015 results.

## II. CAPITAL

### Common Equity Tier 1 capital ratio

At 31 December 2016, the consolidated Common Equity Tier 1 (CET1) ratio calculated according to CRD IV / CRR rules stands at:

- CET1 phasing in (rules for 2016): 11.4%;
- CET1 fully implemented: 11.1%

#### Own funds and own funds requirements

Amounts in M.€

	CRD IV / CRR Phasing in		CRD IV / CRR Fully implemented	
	31 Dec. 15 (rules for 2015)	31 Dec. 16 (rules for 2016)	31 Dec. 15	31 Dec. 16
Common Equity Tier 1 capital	2 574.3	2 754.7	2 313.4	2 678.8
Risk weighted assets	23 702.3	24 122.1	23 652.8	24 076.1
<b>Common Equity Tier 1 ratio</b>	<b>10.9%</b>	<b>11.4%</b>	<b>9.8%</b>	<b>11.1%</b>

In the domestic activity, the Common Equity Tier 1 (CET1) calculated according to CRD IV / CRR rules were as follows:

- CET1 phasing in (rules for 2016) amounted to 1.8 Bi.€ and corresponded to a CET1 ratio of 11.2% (11.0% in 2015, according to the rules for that year);
- CET1 fully implemented amounted to 1.7 Bi.€ and corresponded to a CET1 ratio of 10.6% (9.9% in 2015).

In the international activity, the Common Equity Tier 1 (CET1) calculated according to CRD IV / CRR rules were as follows:

- CET1 phasing in (rules for 2016) amounted to 0.9 Bi.€ and corresponded to a CET1 ratio of 11.9% (10.6% in 2015, according to the rules for that year);
- CET1 fully implemented amounted to 1.0 Bi.€ and corresponded to a CET1 ratio of 12.3% (9.5% in 2015).

### SREP 2017 capital ratios

According to the Supervisory Review and Evaluation Process (SREP) decision for 2017, BPI should comply with the following capital ratios on 1 January 2017:

#### Minimum requirements for 2017

Phasing-in	Consolidated					Individual Total	
	Total	Of which:					
		Pillar 1	Pillar 2	Buffers <sup>1)</sup>	Guidance Pillar 2		
CET1	9.25%	4.50%	2.50%	1.25%	1.0%	8.25% <sup>2)</sup>	
T1	9.75%	6.00%	2.50%	1.25%	-	9.75%	
Rácio total	11.75%	8.00%	2.50%	1.25%	-	11.75%	

1) As determined by the Bank of Portugal, the capital conservation buffer for 2017 was set at 1.25%, the counter-cyclical buffer is currently 0% and the O-SII buffer is zero in 2017.

2) The difference between the requirement for individual CET1 and consolidated CET1 results from the fact that the Pillar 2 guidance only applies to consolidated CET1. The Pillar 2 guidance is not Maximum Distributable Amount (MDA) relevant.

Considering these requirements, and taking into account the figures observed at 31 December 2016, adjusted by the 2017 phasing-in factors and by sale of 2% of BFA, the Bank complies with the new minimum required CET1 ratios (Common Equity Tier 1) and Tier 1.

#### 31 December 2016 pro-forma ratios<sup>1)</sup>

M.€	Consolidated	Banco BPI individual
<b>31 December 2016 pro-forma<sup>1)</sup></b>		
CET1	11.0%	10.7%
T1	11.0%	10.7%
Total Capital Ratio	11.0%	10.7%
<b>(Excess) / Need of capital against the minimum + 0.25% buffer</b>		
CET1	(248)	(354)
T1	(166)	(114)
Total Capital Ratio	162	206

1) Ratios at 31 Dec.16, calculated with phasing-in 2017 factors and after sale of 2% of BFA.

For a total capital ratio of 12.0% (minimum SREP of 11.75% + 0.25% buffer), the issue of subordinated debt in the amount of 206 M.€ is required.

The existence of a voting cap and the exceeding of the large limits exposure by BFA were factors that weighed negatively on BPI's SREP valuation. It is our understanding that, once these two issues have been resolved, the capital ratio required to BPI under SREP will be lower.

#### Leverage and Liquidity ratios

At 31 December 2016, the Leverage and Liquidity ratios calculated according to CRD IV / CRR rules are as follows:

- Leverage ratio *phasing in*: 7.6% in the consolidated accounts (6.9% in 2015) and 6.1% in the domestic activity;
- Leverage ratio *Fully implemented*: 7.4% in the consolidated accounts (6.4% in 2015) and 5.8% in the domestic activity (vs. a minimum ratio of 3% required on 1 Jan. 2018).
- Liquidity Coverage Ratio (LCR) *fully implemented*: 161% in the consolidated accounts (113% in 2015) and 181% in the domestic activity (vs. a minimum ratio of 100% required in 2018).
- Net Stable Funding Ratio (NSFR) *fully implemented*: 117% in the consolidated accounts (104% in 2015) and 110% in the domestic activity (the minimum level is under revision; it is expected to be 100% for 2018).

### III. DOMESTIC ACTIVITY RESULTS

#### Net income

The **net income** from domestic operations increased 57.9% in 2016 to 147.0 M.€. The return on shareholders' equity in the domestic activity increased from 5.2% in 2015 to 7.7% in 2016.

#### Income statement

Amounts in M.€

	Dec.15 as reported	Dec.16 as reported	Dec.15 / Dec.16	
			Chg. M.€	Chg. %
Financial margin	355.2	406.0	50.8	14.3%
Technical result of insurance contracts	31.8	24.6	( 7.2)	-22.6%
Net commission income	255.9	259.7	3.7	1.5%
Net income on financial operations	47.9	48.9	0.9	1.9%
Net operating income	( 24.7)	( 23.8)	0.9	3.7%
<b>Operating income from banking activity</b>	<b>666.2</b>	<b>715.4</b>	<b>49.3</b>	<b>7.4%</b>
Personnel costs	300.2	306.2	5.9	2.0%
General administrative costs	177.3	168.0	( 9.4)	-5.3%
Depreciation and amortisation	19.8	21.3	1.5	7.7%
<b>Overhead costs</b>	<b>497.3</b>	<b>495.4</b>	<b>( 1.9)</b>	<b>-0.4%</b>
<b>Operating profit before impairments and provisions</b>	<b>168.8</b>	<b>220.0</b>	<b>51.2</b>	<b>30.3%</b>
Recovery of loans, interest and expenses	16.2	13.7	( 2.5)	-15.5%
Impairment losses and provisions for loans and guarantees, net	103.4	33.0	( 70.4)	-68.1%
Impairment losses and other provisions, net	15.9	36.5	20.6	129.4%
<b>Net income before income tax</b>	<b>65.8</b>	<b>164.2</b>	<b>98.4</b>	<b>149.5%</b>
Income tax	( 4.2)	37.5	41.7	996.7%
Earnings of associated companies (equity method)	23.1	20.3	( 2.8)	-12.2%
Income attributable to non-controlling interests	0.0	0.0	0.0	4.1%
<b>Net Income</b>	<b>93.1</b>	<b>147.0</b>	<b>53.9</b>	<b>57.9%</b>

## Resources and loans

### Resources

**Customer deposits** increased by 4.4% yoy (+824 M.€) to 19.6 Bi.€ at the end of 2016 and the off-balance sheet Customer resources (unit trust funds, Retirements savings – PPR - and equity savings – PPA - plans) increased by 8.2% (+368 M.€) yoy to 4.8 Bi.€.

The capitalisation insurance products with guaranteed invested capital and participation in the portfolios results registered a decrease of 44% (-1.6 Bi.€) in 2016.

**Total Customer resources** in the domestic activity (on-balance sheet and off-balance sheet) stood at 27.8 Bi.€ at the end of 2016, decreasing by 2.4% year-on-year (-677 M.€).

### Total Customers resources

Amounts in M.€

	Dec.15	Dec.16	Chg.% Dec.15/ Dec.16
<b>On-balance sheet resources</b>			
Sight and other deposits	8 851.9	10 335.5	16.8%
Term and savings deposits	9 925.3	9 265.3	(6.6%)
Customers' deposits	18 777.2	19 600.8	4.4%
Bonds placed with Customers	336.2	94.4	(71.9%)
Subtotal	19 113.3	19 695.1	3.0%
Capitalisation insurance and PPR (BPI Vida) and other	5 875.4	4 249.6	(27.7%)
Unit links insurance capitalisation	1 957.4	1 930.4	(1.4%)
"Aforro" insurance capitalisation products and other <sup>1)</sup>	3 691.0	2 069.6	(43.9%)
Participating units in consolidated trust funds	227.0	249.6	10.0%
<b>On-balance sheet resources</b>	<b>24 988.7</b>	<b>23 944.7</b>	<b>(4.2%)</b>
Off-balance sheet resources <sup>2)</sup>	4 474.2	4 842.5	8.2%
Corrections for double counting <sup>3)</sup>	( 654.0)	( 587.2)	
Deduction of placements of pension funds under management <sup>4)</sup>	( 304.6)	( 372.2)	
<b>Total Customer resources<sup>5)</sup></b>	<b>28 504.3</b>	<b>27 827.7</b>	<b>(2.4%)</b>
Pension funds under management	2 419.1	2 418.3	(0.0%)
BPI Group	1 433.7	1 397.5	(2.5%)
Other	985.3	1 020.8	3.6%

1) Includes insurance capitalisation products that guarantee the invested capital and whose remuneration corresponds to the participation in the results and guaranteed rate and guaranteed retirement capitalisation products.

2) Unit trust funds, PPR and PPA.

3) Placements of the unit trust funds managed by the BPI Group in deposits and structured products.

4) Placements of pension funds under management in on-balance sheet and off-balance sheet resources.

5) Corrected for double counting and deducted of placements of pension funds under management .

## Loans

The **Customer loans portfolio** in domestic activity starts to show some signals of inversion of the contraction trend in the majority of the segments, closing the year almost unchanged relative to 2015 year-end (-0.2%).

In December 2016, relative to December 2015, it should be noted that:

- loans to large and medium-sized companies increase by 12.2%, i.e., +468 M.€<sup>1</sup>
- loans to small businesses increase by 8.5% (+142 M.€).
- the portfolio of mortgage loans was unchanged relative to previous year-end (-0.1%) as a result of the significant growth in new loans contracted (+52% in 2016 relative to 2015).
- Consumer loans and car financing increase by 16.4% (+117 M.€).

## Loans to Customers

Amounts in M.€

	Dec.15	Dec.16	Chg.% Dec.15/ Dec.16
<b>Corporate banking</b>	<b>3 831.7</b>	<b>4 300.0</b>	<b>12.2%</b>
Large companies	1 445.5	1 733.6	19.9%
Medium-sized companies	2 386.2	2 566.4	7.6%
<b>Project Finance - Portugal</b>	<b>1 161.0</b>	<b>983.8</b>	<b>(15.3%)</b>
<b>Madrid branch</b>	<b>943.6</b>	<b>763.4</b>	<b>(19.1%)</b>
Project Finance	557.3	444.3	(20.3%)
Corporates	386.3	319.1	(17.4%)
<b>Public Sector</b>	<b>1 358.8</b>	<b>1 417.3</b>	<b>4.3%</b>
Central Administration	204.8	189.5	(7.5%)
Regional and local administrations	774.6	780.8	0.8%
State Corporate Sector - in the budget perimeter	51.8	51.8	(0.0%)
State Corporate Sector - outside the budget perimeter	267.4	365.6	36.7%
Other Institutional	60.2	29.6	(50.8%)
<b>Individuals and Small Businesses Banking</b>	<b>13 364.4</b>	<b>13 603.0</b>	<b>1.8%</b>
Mortgage loans to individuals	10 813.9	10 800.3	(0.1%)
Loans contracted before 2011	9 115.7	8 387.6	(8.0%)
Loans contracted in 2011 and thereafter	1 698.1	2 412.7	42.1%
Consumer credit / other purposes	576.2	663.0	15.1%
Credit Cards	164.7	158.2	(4.0%)
Car financing	136.2	166.0	21.9%
Small businesses	1 673.5	1 815.5	8.5%
<b>BPI Vida</b>	<b>1 724.9</b>	<b>1 295.4</b>	<b>(24.9%)</b>
<b>Loans in arrears net of impairments</b>	<b>- 30.0</b>	<b>- 4.4</b>	<b>(85.4%)</b>
<b>Other</b>	<b>433.6</b>	<b>377.4</b>	<b>(13.0%)</b>
<b>Total</b>	<b>22 788.1</b>	<b>22 735.8</b>	<b>(0.2%)</b>

1) Excludes BPI Vida e Pensões securities loan portfolio (corresponds essentially to bonds and commercial paper issued by large Portuguese companies).

The evolution of the loan portfolio in the last quarters has showed a progressive deceleration of the downward trend and, more recently, showed signals of a beginning growth trend, as a result of the resume of growth in the loans to large and medium sized companies, the increase in new mortgage loans and the expansion in loans to small businesses which remains in high levels.

### Financial assets available for sale

At the end of December 2016, the portfolio of financial assets available for sale amounted to 3.9 Bi.€, at market prices. The fair value reserve (before deferred taxes) was positive by 14 M.€.

BPI reduced its exposure to MLT Italian public debt by 2/3, through divestments mainly carried out in the third and fourth quarters, amounting by the end of 2016 to 195 M.€ at market values.

At 31 December 2016 the portfolio of financial assets available for sale was comprised by 2.9 Bi.€ of EU sovereign short term debt (1.9 Bi.€ of Portuguese Treasury Bills, 501 M.€ of Italian debt and 485 M.€ of Spanish debt), 0.5 Bi.€ of EU sovereign medium and long term debt (339 M.€ of Portuguese Treasury Bonds and 195 M.€ of MLT Italian public debt), 154 M.€ of corporate bonds, 117 M.€ of equities and 176 M.€ of participating units.

### Portfolio of financial assets available for sale

Amounts in M.€

M.€	31 Dec. 15					31 Dec. 16				
	Acquisition value	Book value	Gains / (losses) <sup>1)</sup>			Acquisition value	Book value	Gains / (losses) <sup>1)</sup>		
			in securities	in derivatives	Total			in securities	in derivatives	Total
Public debt	3 081	3 169	96	- 99	- 4	3 400	3 429	40	- 43	- 3
Portugal	1 746	1 778	34	- 36	- 2	2 228	2 248	25	- 27	- 2
Of which										
TBonds	320	351	34	- 36	- 2	319	339	25	- 27	- 3
TBills	1 426	1 427	0		0	1 909	1 909	0		0
Italy	505	562	61	- 63	- 3	185	195	15	- 16	- 1
T-Bills Spain	440	440	0		0	486	485	0		0
T-Bills Italy	390	390	0		0	501	501	0		0
Corporate Bonds	234	227	- 15	- 6	- 21	158	154	- 10	0	- 10
Equities	134	133	46		46	137	117	27		27
Other	244	194	- 1		- 1	232	176	0		0
<b>Total</b>	<b>3 693</b>	<b>3 723</b>	<b>126</b>	<b>- 106</b>	<b>20</b>	<b>3 927</b>	<b>3 876</b>	<b>57</b>	<b>- 43</b>	<b>14</b>

1) Fair value reserve before deferred taxes. Includes the impact of interest rate hedging.

### Liquidity

Total funding obtained by BPI from the European Central Bank (ECB) amounted to 2.0 Bi.€ at the end of December 2016, corresponding entirely to funds raised under the TLTRO.

At the end of 2016 BPI still had 6.1 Bi.€ of additional assets (net of haircuts) not used, capable of being transformed into liquidity via operations with the ECB.

It must also be noted that the refinancing needs for medium and long-term debt up till the end of 2021, net of redemptions in the bonds portfolio, are nil.

## Operating income from banking activity

**Operating income from banking activity** generated by domestic operations increased by 7.4% (+49.3 M.€) in 2016, to 715.4 M.€. The financial margin increased 14.3% (+50.8 M.€) and net commission income increased 1.5% (+3.7 M.€).

The commercial banking income – which is made up of the financial margin, net commission income and the technical results of insurance contracts - increased by 7.4% (+47.4 M.€), from 642.9 M.€ in 2015 to 690.3 M.€ in 2016.

Net income on financial operations amounted to 48.9 M.€ (47.9 M.€ in 2015) and other net operating income was negative at 23.8 M.€, which includes 18.1 M.€ (before taxes) of the contributions to the Resolution Funds.

**Financial margin** in the domestic activity increased by 14.3% (+50.8 M.€) yoy.

The positive trend in financial margin mainly reflects the reduction in the cost of term deposits. The margin (negative) on term deposits relative to the Euribor improved from 1.0% in 2015 to 0.36% in 2016 (0.2% in the 4th quarter 2016), reflecting the lower remuneration in the renewal of deposits and in new deposits taken;

It should be noted however that the financial margin continued to be penalized by:

- the background of Euribor interest rates at historical minimums, close to zero or even negative, which directly reflects in the contraction in the average margin on sight deposits;
- the low yields of short term public debt securities in the primary market, namely Treasury Bills, which reflect in a reduced contribution to net interest income from the securities portfolio;
- the reduction in spreads on new loans to corporates.

**Net commissions income** were 3.7 M.€ higher (+1.5%) due to the increase in commercial banking commissions (+3.7%; +7.5 M.€).

### Net commission income

Amounts in M.€

	31 Dec. 15	31 Dec. 16	Chg. M.€	Chg.%
Commercial banking	204.2	211.7	+7.5	3.7%
Asset management	42.5	41.5	- 1.0	(2.3%)
Investment banking	9.2	6.5	- 2.8	(29.9%)
<b>Total</b>	<b>255.9</b>	<b>259.7</b>	<b>+3.7</b>	<b>1.5%</b>

**Net income on financial operations** amounted to 48.9 M.€ in 2016 (47.9 M.€ in 2015). In 2016 the net income on financial operations includes equities gains of 22.9 M.€ (before taxes) from the merger operation of Visa Europe into Visa Inc.

## Earnings of associated companies (equity-accounted)

The **earnings of associated companies (equity-accounted)** in domestic operations amounted to 20.3 M.€ in 2016, decreasing by 2.8 M.€ over 2015.

The contribution of the subsidiaries from the insurance sector amounted to 7.9 M.€ (contribution of 3.8 M.€ from Allianz Portugal and 4.1 M.€ from Cosec).

The contribution of the participation in Unicre, of 12.3 M.€, includes a gain of 8.6 M.€ (after taxes) from the merger operation of Visa Europe into Visa Inc.

### Earnings of associated companies (equity-accounted earnings)

Amounts in M.€

	31 Dec. 15	31 Dec. 16	Chg. M.€
Insurance companies	14.8	7.9	- 6.8
Allianz Portugal	9.3	3.8	- 5.4
Cosec	5.5	4.1	- 1.4
Unicre	8.4	12.3	+4.0
Other	0.0	0.0	+0.0
<b>Total</b>	<b>23.1</b>	<b>20.3</b>	<b>- 2.8</b>

## Overhead costs

**Overhead costs** decreased by 0.4% (-1.9 M.€). It included in 2016 the following costs which totalled a net amount of 16.8 M.€:

- Costs with early retirements of 59.7 M.€ corresponding to 322 early retirements, of which 303 were concluded by 2016 year-end and 19 will occur in 2017;
- Gain of 42.9 M.€ following the revision of the Collective Labour Agreement of the Banking Sector (ACT), due to changes in the conditions of the pension plan and the extinction of the long service premiums and constitution of the final career premium.

Excluding the above mentioned costs (16.8 M.€), the **overhead costs** decrease 2.5% (-12.2 M.€), from 490.8 M.€ in 2015 to 478.6 M.€ in 2016.

## Overhead costs

Amounts in M.€

	31 Dec.15	31 Dec.16	Chg. M.€	Chg.%
Personnel costs	300.2	306.2	+5.9	2.0%
General administrative costs	177.3	168.0	- 9.4	(5.3%)
Depreciation and amortisation	19.8	21.3	+1.5	7.7%
<b>Overhead costs</b>	<b>497.3</b>	<b>495.4</b>	<b>- 1.9</b>	<b>(0.4%)</b>
Of which:				
Costs with early-retirements	6.5	59.7	+53.2	
Gains with the revision of the Collective Labour Agreement (ACT)	0.0	-42.9	- 42.9	
<b>Overhead costs, excluding costs with early-retirements and gains with the revision of the ACT</b>				
Personnel costs, excluding costs with early-retirements and gains with the revision of the ACT	293.8	289.4	- 4.4	(1.5%)
General administrative costs	177.3	168.0	- 9.4	(5.3%)
Depreciation and amortisation	19.8	21.3	+1.5	7.7%
<b>Overhead costs, excluding costs with early-retirements and gains with the revision of the ACT</b>	<b>490.8</b>	<b>478.6</b>	<b>- 12.2</b>	<b>(2.5%)</b>
Cost-to-income ratio <sup>1)</sup>	74.7%	69.2%		
Adjusted overhead costs-to-commercial banking income ratio <sup>2)</sup>	76.3%	69.3%		

1) Overhead costs as a % of Operating income from banking activity.

2) Overhead costs excluding costs with early-retirements and gains with the revision of the ACT as a % of commercial banking income.

where, commercial banking income = financial margin + technical result of insurance contracts + net commissions income

Personnel costs, excluding costs with early-retirements and gains with the revision of the ACT decreased by 4.4 M.€ (-1.5%), general administrative costs decreased by 9.4 M.€ (-5.3%) and depreciation and amortization increased by 1.5 M.€ (+7.7%), relative to 2015.

The cost-to-income ratio in domestic operations – overhead costs as a percentage of operating income from banking activity – improved by 5.4 p.p., from 74.7% in 2015 to 69.2% in 2016.

The ratio of adjusted overhead costs-to-commercial banking income in domestic operations stood at 69.3% in 2016 (76.3% in 2015).

## Cost of credit risk

Impairment losses and provisions for loans and guarantees decreased by 70.4 M.€, from 103.4 M.€ in 2015 to 33.0 M.€ in 2016. The indicator of impairments and provisions for loans and guarantees as a percentage of the loan portfolio (designated cost of credit risk indicator) was situated at 0.15% in 2016 (0.45% in 2015).

On the other hand, arrear loans and interest previously written off and expenses of 13.7 M.€ were recovered in 2016, with the result that impairments and provisions for loans and guarantees after deducting the abovementioned recoveries amounted to 19.3 M.€ (87.1 M.€ in 2015), which represents an indicator of cost of credit risk net of recoveries of 0.09% (0.38% in 2015).

### Cost of credit risk and cost of credit risk net of recoveries

Amounts in M.€

	Dec. 15		Dec. 16	
	M.€	% of loan portfolio <sup>1)</sup>	M.€	% of loan portfolio <sup>1)</sup>
Impairment losses and provisions for loans and guarantees, net	103.4	0.45%	33.0	0.15%
Recovery of loans, interest and expenses	16.2	0.07%	13.7	0.06%
<b>Impairment losses and provisions for loans and guarantees (net), after deducting the recovery of loans, interest and expenses</b>	<b>87.1</b>	<b>0.38%</b>	<b>19.3</b>	<b>0.09%</b>

1) As percentage of the average balance of the performing loans portfolio.

### Quality of the loan portfolio

The ratio of **Customer loans in arrears for more than 90 days** in the domestic operations' accounts decreased from 3.6% in 2015 to 2.9% in 2016.

Cover for loans in arrears for more than 90 days by accumulated impairment allowances and provisions for loans and guarantees in the balance sheet (without considering cover from associated guarantees) was situated at 105% at the end of 2016 (108% in 2015).

The **credit at risk** ratio (consolidation perimeter IAS/IFRS), calculated in accordance with Bank of Portugal Instruction 23/2011 and considering the consolidation perimeter IAS/IFRS<sup>1)</sup>, decreased from 4.5% in 2015 to 3.7% in 2016.

The accumulated impairment allowances and provisions for loans and guarantees in the balance sheet represented 83% of the credit at risk considering the consolidation perimeter IAS/IFRS (85% in December 2015).

### Loans in arrears for more than 90 days, credit at risk and loan impairments

	Dec. 15		Dec. 16	
	M.€	% of loan portfolio <sup>1)</sup>	M.€	% of loan portfolio <sup>1)</sup>
Loans in arrears for more than 90 days	841.4	3.6%	685.3	2.9%
Credit at risk (consolidation perimeter IAS/IFRS) <sup>2)</sup>	1 070.9	4.5%	862.6	3.7%
Impairments and provisions for loans and guarantees (in the balance sheet)	906.7	3.8%	717.7	3.1%
Write offs (in the period)	162.0		186.1	
Note:				
Gross loan portfolio	23 668.1		23 431.0	

1) As % of the gross loan portfolio.

2) Calculated in accordance with credit at risk definition of Bank of Portugal Instruction 23/2011 and considering the IAS /IFRS consolidation perimeter which results in the consolidation in full of BPI Vida e Pensões (whereas in Bank of Portugal supervision perimeter that subsidiary is recognised using the equity method). According to Instruction 23/2011 and taken into account the supervision perimeter, at 31 Dec. 2016 the credit at risk amounts to 862.6 M.€ and the credit at risk ratio to 3.9%.

1) For purposes of calculating the credit at risk ratio (non-performing ratio), the Group consolidation perimeter according to IAS/IFRS rules was taken into account, and therefore BPI Vida e Pensões is consolidated in full and its loan portfolio (securities loan portfolio) included in the consolidated loan portfolio (whereas in Bank of Portugal supervision perimeter, in the case of BPI, that subsidiary is recognised using the equity method).

The following table details by major credit segments the credit at risk ratio, calculated in accordance with Bank of Portugal Instruction 23/2011 and considering the consolidation perimeter IAS/IFRS, and the impairments coverage.

### Credit at risk

According to Bank of Portugal Instruction 23/2011 and considering the consolidation perimeter IAS/IFRS

	Dec.15			Dec.16		
	M.€	% of loan portfolio <sup>1)</sup>	Impairments coverage	M.€	% of loan portfolio <sup>1)</sup>	Impairments coverage
Corporate banking	525.0	6.8%	96%	361.3	4.7%	98%
Individuals Banking	543.2	3.9%	71%	496.9	3.5%	71%
Mortgage loans	375.0	3.4%	62%	347.7	3.1%	61%
Other loans to individuals	40.0	4.4%	101%	40.5	4.0%	114%
Small businesses	128.2	7.2%	89%	108.7	5.7%	86%
Other	2.8	0.1%		4.4	0.3%	
<b>Domestic activity</b>	<b>1 070.9</b>	<b>4.5%</b>	<b>85%</b>	<b>862.6</b>	<b>3.7%</b>	<b>83%</b>

1) As % of the gross loan portfolio

### Impairments for foreclosure properties

At 31 December 2016, foreclosed properties amounted to 131.7 M.€, in terms of gross balance sheet value (153.1 M.€ in December 2015). The accumulated amount of impairment allowances for foreclosed properties of 31.0 M.€, covered 23.5% of their gross balance sheet value (17.8% in December 2015). The net value of these properties was therefore 100.7 M.€ (125.9 M.€ in December 2015), which compared to a market value of these properties, according to the valuation of the Bank, of 128.1 M.€.

### Foreclosed properties at 31 December 2016

Amounts in M.€

	Gross value	Coverage by impairments		Net value	Appraisal
		Amount	%		
Mortgage	50.1	1.7	3.3%	48.4	61.2
Other	81.6	29.3	35.9%	52.3	66.9
<b>Total</b>	<b>131.7</b>	<b>31.0</b>	<b>23.5%</b>	<b>100.7</b>	<b>128.1</b>

### Impairment losses and other provisions

Impairment losses and other provisions stood at 36.5 M.€ in 2016 and include impairments in bonds of PT International Finance (Oi Group) in the amount of 18.3 M.€.

## Employee pension liabilities

At 31 December 2016 BPI's pension liabilities (total past service liability) amounted to 1 463.1 M.€ and are 98.4% covered by the pension fund.

### Financing of pension liabilities

Amounts in M.€

	Dec.15	Dec.16
Total past service liability	1 279.9	1 463.1
Net assets of the pension funds <sup>1)</sup>	1 392.3	1 439.7
Excess / (insufficient) cover	112.4	( 23.4)
<b>Degree of coverage of pension liabilities</b>	<b>108.8%</b>	<b>98.4%</b>
Total actuarial deviations <sup>2)</sup>	( 40.5)	( 244.1)
Pension fund return	14.0%	-1.2%

1) In Dec.15 includes 1.3 M.€ of contributions transferred to the pension funds in the beginning 2016 and in Dec.16 includes 84.4 M.€ of contributions to be transferred in the beginning of 2017.

2) Recognized directly in Shareholders' equity (OCI - Other Comprehensive Income), in accordance with IAS19.

### Pension funds' income

The Bank's pension funds posted a -1.2% return in 2016.

It should be pointed out that, up till the end of September 2016, the actual return achieved by Banco BPI's in the last 25 years was 9.1% per year, and that in the last ten, five and three years, the actual annual returns were 5.9%, 11.6% and 7.0%, respectively.

### Actuarial assumptions

The Bank adopted in June 2016 an unique discount rate of 2.5% for pension liabilities, which is equivalent to the use until that date of different discount rates for current employees (2.83%) and retirees (2.00%)

In December 2016 the discount rate was reduced from 2.5% to 2%.

### Actuarial assumptions

	Dec.14	Dec.15	Jun.16	Dec.16
Discount rate - current employees	2.83%	2.83%	2.50%	2.00%
Discount rate - retirees	2.00%	2.00%	2.50%	2.00%
Salary growth rate	1.00%	1.00%	1.00%	1.00%
Pensions growth rate	0.50%	0.50%	0.50%	0.50%
Expected pension fund rate of return	2.50%	2.50%	2.50%	2.00%
Mortality table		(M): TV 73/77 – 2 years <sup>(1)</sup> (W): TV 88/ 90 – 3 years <sup>(1)</sup>		

1) Men (M) and Women (W) were assumed to be two years and three years younger than their actual age, respectively, that procedure translating into a higher life expectancy.

### Actuarial deviations

The evolution of the actuarial deviations (accumulated) recognised directly in the accounting shareholders' equity, which went from a negative value of 40.5 M.€ at the end of 2015 to a negative value of 244.1 M.€, is mainly explained by the negative deviation from the reduction in the discount rate to 2% at the end of the year (-129.4 M.€) and by the negative actuarial deviation of the pension funds return (-48.4 M.€).

### Actuarial deviations

	M.€
<b>Total actuarial deviations at 31 Dec.15</b>	<b>( 40.5)</b>
Change in the discount rate from 2.5% to 2%	( 129.4)
Deviation in pension fund income	( 48.4)
Other	( 25.8)
<b>Total actuarial deviations at 31 Dec.16</b>	<b>( 244.1)</b>

## IV. INTERNATIONAL ACTIVITY RESULTS

### Net income

The international activity's **net profit** (contribution for the BPI consolidated net income) stood at 166.3 M.€ in 2016 (+16.1% over the 143.3 M.€ obtained in 2015).

Main contributions to net profit from international activity corresponded to:

- BFA's contribution of 162.7 M.€<sup>1</sup>, relating to the appropriation of 50.1% of its individual net profit, which was 20% higher than the contribution in 2015 (135.7 M.€).
- BCI's (Mozambique) contribution of 5.4 M.€ relating to the appropriation of 30% of its individual net profit (recognised using the equity-method), which decreased 43% relative to the contribution in 2015 (9.4 M.€).

### BFA

#### Net income

BFA recorded in 2016 a **non-consolidated net profit** of 338.3 M.€, , which was the highest ever. Compared to the previous year, BFA's non-consolidated net profit increased 19.9%.

BFA shows high levels of efficiency and profitability along with a very liquid balance sheet and a high capitalization:

- The efficiency ratio (overhead costs as% of operating income from banking) stood at 32% (33% in 2015);
- The return on Shareholders' equity (non-consolidated) reached 41.4% in 2016 (33.6% in 2015);
- The loans to deposits ratio is 22%;
- The core Tier 1 capital ratio, according to local rules, was 31.6%.

BFA income attributable to non-controlling interests of 168.8 M.€ was recognised (140.8 M.€ in 2015).

BFA's contribution to the consolidated net profit amounted to 162.7 M.€<sup>1</sup> (appropriation of 50.1% of its individual net profit), which corresponds to a 19.9% increase relative to 2015 (135.7 M.€).

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1) Contribution of BFA to the Group's consolidated profit, net of taxes on dividends.

**BFA non-consolidated income statement**

Amounts in M.€

	Dec.15 as reported	Dec.16 as reported	Dec.15 / Dec.16 Chg. M.€	Dec.15 / Dec.16 Chg. %
Financial margin	308.6	364.9	56.4	18.3%
Technical result of insurance contracts	0.0	0.0	0.0	0.0%
Net commission income	67.5	65.8	( 1.7)	-2.4%
Net income on financial operations	146.7	124.7	( 22.0)	-15.0%
Net operating income	( 7.9)	( 27.7)	( 19.8)	-249.5%
<b>Operating income from banking activity</b>	<b>514.9</b>	<b>527.8</b>	<b>12.9</b>	<b>2.5%</b>
Personnel costs	82.9	92.0	9.2	11.0%
General administrative costs	71.2	63.0	( 8.3)	-11.6%
Depreciation and amortisation	16.2	13.0	( 3.3)	-20.1%
<b>Overhead costs</b>	<b>170.3</b>	<b>168.0</b>	<b>( 2.4)</b>	<b>-1.4%</b>
<b>Operating profit before impairments and provisions</b>	<b>344.5</b>	<b>359.8</b>	<b>15.3</b>	<b>4.4%</b>
Recovery of loans, interest and expenses	1.9	2.2	0.3	13.5%
Impairment losses and provisions for loans and guarantees, net	33.6	15.8	( 17.9)	-53.1%
Impairment losses and other provisions, net	3.6	4.9	1.2	34.5%
<b>Net income before income tax</b>	<b>309.2</b>	<b>341.4</b>	<b>32.2</b>	<b>10.4%</b>
Income tax	27.0	3.0	( 24.0)	-88.7%
<b>BFA non-consolidated net income</b>	<b>282.2</b>	<b>338.3</b>	<b>56.1</b>	<b>19.9%</b>
Taxes on dividends	5.7	6.8	1.1	19.9%
Income attributable to non-controlling interests	140.8	168.8	28.0	19.9%
<b>BFA contribution to consolidated net income</b>	<b>135.7</b>	<b>162.7</b>	<b>27.0</b>	<b>19.9%</b>

**Customer resources and loans**

**Total Customer resources** in the international activity, measured in euro (consolidation currency), recorded a year-on-year decrease of 15.4%, to 5 804 M.€ in December 2016.

The year-on-year evolution of deposits expressed in euro is penalized by the 18% depreciation of the kwanza relative to the euro, whereas the exchange rate USD/EUR stood roughly stable.

When expressed in the currencies they were captured, Customer resources captured in USD (c. 1/3 of the total) decreased by 23.2% yoy (a 24.9% decrease when expressed in euro) and Customer resources in kwanzas (representing c. 2/3 of total resources) increased by 9.9% yoy (a 12.4% decrease when expressed in euro).

**Total Customers resources**

Amounts in M.€

	Dec.15	Dec.16	Chg. % Dec.15/ Dec.16
Sight deposits	4 045.3	3 316.8	(18.0%)
Term deposits	2 814.7	2 487.6	(11.6%)
<b>Total deposits</b>	<b>6 860.0</b>	<b>5 804.4</b>	<b>(15.4%)</b>
Securities held by Clients (1)	1 246.4	1 943.8	56.0%

1) Recorded off-balance sheet.

The BFA **loans to Customers portfolio**, expressed in euro, decreased by 15.0%, from 1 494 M.€ in December 2015, to 1 269 M.€ in December 2016.

When expressed in the currency they were granted, the loan portfolio in USD (1/2 of the total) decreased by 14.6% yoy (a 16.5% decrease when expressed in euro) and the loan portfolio in kwanzas (1/2 of the total) grew by 8.4% yoy (a 13.6% decrease when expressed in euro).

### Loans to Customers

Amounts in M.€

	Dec.15	Dec.16	Chg. % Dec.15/ Dec.16
Performing loans	1 498.5	1 258.2	(16.0%)
Loans in arrears	72.4	62.8	(13.4%)
Loan impairments	( 98.7)	( 76.8)	(22.2%)
Interests and other	21.3	25.2	18.1%
<b>Total</b>	<b>1 493.6</b>	<b>1 269.4</b>	<b>(15.0%)</b>
Guarantees	385.7	208.1	(46.0%)

### Securities portfolio

At the end of 2016, BFA's **securities portfolio** totalled 3 221 M.€ or 47% of the Bank's assets. The portfolio of short-term securities, comprising Treasury Bills, amounted to 1 583 M.€ at the end of 2016 (+707 M.€ relative to 2015) and the Treasury Bonds portfolio amounted to 1 627 M.€ (-785 M.€ relative to 2015).

### Customers

The **number of Customers** reached 1.6 million (+11.4% relative to 2015), which translates a net addition of 161 thousand Customers in the year.

### Physical distribution network

The **distribution network in Angola** comprised, at the end of 2016, 166 branches, 9 investment centres and 16 corporate centres.

### Cards

BFA holds a prominent position in the **debit and credit cards** with a 24.4% market share in December 2016 in terms of valid debit cards. At the end of 2016, BFA had 1 115 thousand valid debit cards (Multicaixa cards) and 15 210 active credit cards (Gold and Classic cards).

### Automatic and virtual channels

As regards the **automatic and virtual channels**, we emphasize the growing use of electronic banking (577 thousand subscribers of BFA NET at the end of 2016, of which 563 thousand are individuals) and an extensive terminal network with 382 ATM and 9 876 active point-of-sale (POS) terminals connected to the EMIS network, corresponding to market shares of 13.4% (ranking 2nd) and 26.3% (ranking 1st), respectively.

## Number of employees

BFA's workforce at the end of 2016 stood at 2 632 employees (+0.8% relative to 2015).

## Revenues and costs

Operating income from banking in the international activity reached 527.8 M.€ in 2016 (+2.5% relative to 2015).

The evolution of the financial margin, with an increase of 56.4 M.€ (+18.3%) year on year, offset the reductions recorded in other components of operating income from banking – net commission income decreased 1.7 M.€ (-2.4%), net income on financial operations decreased by 22.0 M.€ (-15.0%) and net operating income decreased by 19.8 M.€.

Overhead costs have decreased by 2.4 M.€ (-1.4%)<sup>1</sup> over 2015. Personnel costs increased by 9.2 M.€, general administrative costs decreased by 8.3 M.€ and depreciation and amortisation fell by 3.3 M.€.

The cost-to-income ratio (overhead costs as percentage of operating income from banking) stood at 31.8% in 2016 (33.1% in 2015).

## Cost of credit risk

In the international activity, impairment losses and provisions for loans and guarantees were 15.8 M.€ in 2016, which corresponded to a 53% reduction (-17.9 M.€) relative to the previous year. The cost of credit risk indicator<sup>2</sup> stood at 1.2% (2.0% in 2015).

On the other hand, 2.2 M.€ of loans and interests in arrears previously written-off and expenses, were recovered.

Impairment losses and provisions for loans and guarantees, deducted from recoveries of loans, interests and expenses, have thus reached 13.6 M.€ in 2016, corresponding to 1.05% of the average performing loan portfolio (indicator of cost of credit risk net of recoveries), which compares with 1.9% in 2015.

## Loan impairments and recoveries

Amounts in M.€

	Dec. 15		Dec. 16	
	M.€	% of loan portfolio <sup>1)</sup>	M.€	% of loan portfolio <sup>1)</sup>
Impairment losses and provisions for loans and guarantees, net	33.6	1.99%	15.8	1.21%
Recovery of loans, interest and expenses	1.9	0.11%	2.2	0.17%
<b>Impairment losses and provisions for loans and guarantees (net), after deducting the recovery of loans, interest and expenses</b>	<b>31.7</b>	<b>1.88%</b>	<b>13.6</b>	<b>1.05%</b>

1) As percentage of the average balance of the performing loans portfolio.

1) The evolution of the USD exchange rate against the euro has influence on the evolution of BFA costs denominated in euro (consolidation currency) by the fact that personnel costs are indexed to the USD and a significant portion of Outside supplies and services are in foreign currency. The Euro / USD exchange rate has remained relatively stable over the period (the USD depreciated 0.9% against the euro, when comparing the average exchange rate in 2016 relative to 2015) and therefore the currency effect on the yoy evolution of costs expressed in Euro was not significant.

2) Impairments and provisions for loans and guarantees as a percentage of the loan portfolio, in annualised terms.

At the end of 2016, the **ratio of Customer loans in arrears for more than 90 days** stood at 4.1% (4.2% in 2015). Cover for loans in arrears for more than 90 days by accumulated impairment allowances and provisions for loans and guarantees in the balance sheet stood at 141% (159% in 2015).

The **credit at risk ratio**, calculated in accordance with Bank of Portugal Instruction 23/2011, stood at 5.4% at the end of 2016 (5.5% in 2015). The accumulated impairment allowances and provisions for loans and guarantees in the balance sheet represented 108% of the credit at risk (122% in 2015).

#### **Loans in arrears for more than 90 days, credit at risk and impairments**

	<b>Dec. 15</b>		<b>Dec. 16</b>	
	<b>M.€</b>	<b>% of loan portfolio<sup>1)</sup></b>	<b>M.€</b>	<b>% of loan portfolio<sup>1)</sup></b>
Loans in arrears for more than 90 days	66.8	4.2%	55.8	4.1%
Credit at risk (consolidation perimeter IAS/IFRS)	87.1	5.5%	72.7	5.4%
Impairments and provisions for loans and guarantees (in the balance sheet)	106.1	6.7%	78.7	5.8%
Write offs (in the period)	7.3		30.4	
Note:				
Gross loan portfolio	1 592.2		1 346.2	

1) As % of the gross loan portfolio.

#### **BCI (earnings of associated companies equity-accounted)**

BCI (Mozambique)'s total contribution to consolidated net profit, relating to the appropriation of 30% of its individual net profit (recognised using the equity-method<sup>1)</sup>), stood at 5.4 M.€ in 2016 (9.4 M.€ in 2015).

BCI recorded a 24.5%<sup>2</sup> yoy decrease in net total assets. Customer deposits fell by 25.3%<sup>2</sup> year-on-year, to 1 372 M.€ at the end of 2016, while the Customer loan portfolio decreased 20.6%<sup>2</sup> year-on-year, to 1 114 M.€. BCI market shares in deposits and loans, at the end of November 2016, reached 29.6% and 30.4%, respectively.

At the end of 2016, BCI served 1.5 million clients (+13.6% relative to 2015) through a network of 193 branches (+2 than one year before), representing 31.2%<sup>3</sup> of the total Mozambican banking system distribution network. The staff complement reached 2 987 Employees at the end of 2016 (-0.7% than in December 2015).

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1) In addition to the equity-accounted results, corresponding to the appropriation of 30% of BCI individual net profit (10.3 M.€ in 2015 and 5.9 M.€ in 2016), deferred tax relating to the distributable earnings of BCI is recorded in the caption "Income tax" (0.9 M.€ in 2015 and 0.5 M.€ in 2016).

2) Expressed in USD, net total assets decreased by 27.0%, deposits decreased by 27.8% and the loan portfolio decreased by 23.2%.

3) In October 2016.

## V. ANNEXES

### Leading indicators

Amounts in M.€

	Domestic activity		International activity		Consolidated	
	Dec.15 as reported	Dec.16 as reported	Dec.15 as reported	Dec.16 as reported	Dec.15 as reported	Dec.16 as reported
<b>Net income, efficiency and profitability</b>						
Net income (as reported)	93.1	<b>147.0</b>	143.3	<b>166.3</b>	236.4	<b>313.2</b>
Net income (as reported) per share (EPS)	0.064	<b>0.101</b>	0.099	<b>0.115</b>	0.163	<b>0.216</b>
Weighted average number of shares <sup>1)</sup>	1 450	<b>1 451</b>	1 450	<b>1 451</b>	1 450	<b>1 451</b>
Cost-to-income ratio <sup>2)</sup>	74.7%	<b>69.2%</b>	33.6%	-	56.7%	<b>69.5%</b>
Adjusted overhead costs-to-commercial banking income <sup>3)</sup>	76.3%	<b>69.3%</b>	46.0%	-	65.1%	<b>69.6%</b>
Return on total assets (ROA)	0.3%	<b>0.5%</b>	3.5%	<b>4.7%</b>	0.9%	<b>1.2%</b>
Return on Shareholders' equity (ROE)	5.2%	<b>7.7%</b>	30.5%	<b>37.5%</b>	10.4%	<b>13.4%</b>
<b>Balance sheet</b>						
Net total assets <sup>4)</sup>	33 271	<b>31 987</b>	8 022	<b>6 972</b>	40 673	<b>38 285</b>
Loans to Customers	22 788	<b>22 736</b>	1 494	-	24 282	<b>22 736</b>
Sight, term and savings deposits	18 777	<b>19 601</b>	6 860	-	25 637	<b>19 601</b>
On-balance sheet Customer resources	24 989	<b>23 945</b>	6 860	-	31 849	<b>23 945</b>
Off-balance sheet Customer resources <sup>5)</sup>	4 474	<b>4 843</b>	-	-	4 474	<b>4 843</b>
Total Customer resources <sup>6)</sup>	28 504	<b>27 828</b>	6 860	-	35 364	<b>27 828</b>
Loans to deposits ratio (Instruction 23/2011 BoP)	107%	<b>106%</b>	22%	-	85%	<b>106%</b>
<b>Asset quality</b>						
Loans in arrears for more than 90 days	841	<b>685</b>	67	-	908	<b>685</b>
Ratio of loans in arrears for more than 90 days	3.6%	<b>2.9%</b>	4.2%	-	3.6%	<b>2.9%</b>
Impairments cover of loans in arrears for more than 90 days	108%	<b>105%</b>	159%	-	112%	<b>105%</b>
Credit at risk (consolidation perimeter IAS/IFRS) <sup>7)</sup>	1 071	<b>863</b>	87	-	1 158	<b>863</b>
Ratio of credit at risk (consolidation perimeter IAS/IFRS) <sup>7)</sup>	4.5%	<b>3.7%</b>	5.5%	-	4.6%	<b>3.7%</b>
Impairments cover of credit at risk (consolidation perimeter IAS/IFRS) <sup>7)</sup>	85%	<b>83%</b>	122%	-	87%	<b>83%</b>
Cost of credit risk net of recoveries <sup>8)</sup>	0.38%	<b>0.09%</b>	1.88%	-	0.48%	<b>0.09%</b>
<b>Employees pension liabilities</b>						
Total past service liability	1 280	<b>1 463</b>	-	-	1 280	<b>1 463</b>
Net assets of the pension funds <sup>9)</sup>	1 392	<b>1 440</b>	-	-	1 392	<b>1 440</b>
Degree of coverage of pension liabilities	109%	<b>98%</b>	-	-	109%	<b>98%</b>
<b>Capital</b>						
Shareholders' equity attributable to the shareholders of BPI	1 928	<b>1 945</b>	479	<b>496</b>	2 407	<b>2 440</b>
Shareholders' equity attributable to the shareholders of BPI and non-controlling interests	1 930	<b>1 946</b>	906	<b>962</b>	2 835	<b>2 909</b>
CRD IV/CRR phasing in						
Common Equity Tier I	1 716	<b>1 819</b>	859	<b>936</b>	2 574	<b>2 755</b>
Risk weighted assets	15 637	<b>16 286</b>	8 066	<b>7 836</b>	23 702	<b>24 122</b>
Common Equity Tier I ratio	11.0%	<b>11.2%</b>	10.6%	<b>11.9%</b>	10.9%	<b>11.4%</b>
Leverage ratio	-	-	-	-	6.9%	<b>7.6%</b>
LCR = Liquidity coverage ratio	-	-	-	-	113%	<b>161%</b>
NSFR = Net Stable Funding Ratio	-	-	-	-	104%	<b>117%</b>
CRD IV/CRR fully implemented						
Common Equity Tier I	1 553	<b>1 710</b>	761	<b>969</b>	2 313	<b>2 679</b>
Risk weighted assets	15 611	<b>16 203</b>	8 042	<b>7 873</b>	23 653	<b>24 076</b>
Common Equity Tier I ratio	9.9%	<b>10.6%</b>	9.5%	<b>12.3%</b>	9.8%	<b>11.1%</b>
Leverage ratio	-	-	-	-	6.4%	<b>7.4%</b>
LCR = Liquidity coverage ratio	-	-	-	-	113%	<b>161%</b>
NSFR = Net Stable Funding Ratio	-	-	-	-	104%	<b>117%</b>
<b>Distribution network and staff</b>						
Distribution network <sup>10)</sup>	597	<b>545</b>	191	<b>191</b>	788	<b>736</b>
BPI Group staff <sup>11)</sup>	5 899	<b>5 507</b>	2 630	<b>2 650</b>	8 529	<b>8 157</b>

1) Average outstanding number of shares, deducted of treasury stock.

2) Overhead costs as a % of Operating income from banking activity.

3) Overhead costs excluding costs with early-retractions and gains with the revision of the ACT as a % of commercial banking income.

where, commercial banking income = financial margin + technical result of insurance contracts + net commissions income

4) The total assets for each of the geographical segments presented above has not been corrected for the balances resulting from operations between these segments.

5) Unit trust funds, PPR and PPA (excludes pension funds).

6) Corrected for double counting (placements of unit trust funds managed by BPI in the Group's deposits, structured products and unit trust funds) and deducted of placements of pension funds under management in on-balance sheet and off-balance sheet resources.

7) Calculated in accordance with credit at risk definition of Bank of Portugal Instruction 23/2011 and considering the IAS /IFRS consolidation perimeter which results in the consolidation in full of BPI Vida e Pensões (whereas in Bank of Portugal supervision perimeter that subsidiary is recognised using the equity method). The credit at risk is the sum of: (1) the total amount outstanding on a loan in respect of which there are instalments of principal or interest in arrears for 90 days or more; (2) the total amount outstanding on loans which have been restructured, after having been in arrears for a period of 90 days or more, without adequate reinforcement of guarantees (these should be sufficient to cover the full amount of the outstanding principal and interest) or full payment of interest and other charges in arrears; (3) the total value of loans with instalments of principal and accrued interest in arrears for less than 90 days but in respect of which there is evidence to justify their classification as credit-at-risk, namely the debtor's bankruptcy or winding up.

8) Impairment losses and provisions for loans and guarantees in the period (P&L account), net of recovery of loans, interest and expenses, as percentage of the average performing loan portfolio.

9) In Dec.15 includes 1.3 M.€ of contributions transferred to the pension funds in the beginning 2016 and in Dec.16 includes 84.4 M.€ of contributions to be transferred in the beginning of 2017.

10) Includes traditional branches, housing shops, investment centres, corporate centres, Institutions and one Project Finance centre. Domestic activity distribution network includes branches in Paris.

11) Excludes temporary workers.

**Consolidated income statement**

Amounts in M.€

	Dec.15 as reported	Dez.15 proforma	Dec.16 as reported	Chg.% Dec15 proforma / Dec16
Financial margin (narrow sense)	624.6	317.4	<b>364.2</b>	14.8%
Gross margin on unit links	13.0	13.0	<b>13.5</b>	3.8%
Income from equity instruments	4.7	4.7	<b>8.5</b>	79.9%
Net commissions relating to amortised cost	21.1	21.1	<b>21.2</b>	0.5%
<b>Financial margin</b>	<b>663.4</b>	<b>356.2</b>	<b>407.4</b>	<b>14.4%</b>
Technical result of insurance contracts	31.8	31.8	<b>24.6</b>	(22.6%)
Net commission income	324.7	255.2	<b>259.4</b>	1.7%
Net income on financial operations	194.6	47.9	<b>48.9</b>	2.1%
Net operating income	( 32.6)	( 24.7)	<b>( 23.8)</b>	3.7%
<b>Operating income from banking activity</b>	<b>1 181.9</b>	<b>666.4</b>	<b>716.6</b>	<b>7.5%</b>
Personnel costs	385.3	302.4	<b>308.0</b>	1.9%
General administrative costs	249.2	178.0	<b>168.6</b>	(5.3%)
Depreciation and amortisation	36.1	19.9	<b>21.4</b>	7.5%
<b>Overhead costs</b>	<b>670.6</b>	<b>500.3</b>	<b>497.9</b>	<b>(0.5%)</b>
<b>Operating profit before impairments and provisions</b>	<b>511.3</b>	<b>166.1</b>	<b>218.6</b>	<b>31.6%</b>
Recovery of loans, interest and expenses	18.2	16.2	<b>13.7</b>	(15.5%)
Impairment losses and provisions for loans and guarantees, net	137.0	103.4	<b>33.0</b>	(68.1%)
Impairment losses and other provisions, net	19.5	15.9	<b>36.5</b>	129.4%
<b>Net income before income tax</b>	<b>372.9</b>	<b>63.1</b>	<b>162.9</b>	<b>158.1%</b>
Income tax	29.1	2.1	<b>44.7</b>	1998.3%
Earnings of associated companies (equity method)	33.4	33.4	<b>26.2</b>	(21.7%)
<b>Net income from continuing operations</b>	<b>377.2</b>	<b>94.4</b>	<b>144.4</b>	<b>52.9%</b>
Net income from discontinued operations		282.8	<b>337.7</b>	19.4%
Income attributable to non-controlling interests from continuing operations	140.8	0.0	<b>0.0</b>	4.1%
Income attributable to non-controlling interests from discontinued operations		140.8	<b>168.8</b>	19.9%
<b>Net Income</b>	<b>236.4</b>	<b>236.4</b>	<b>313.2</b>	<b>32.5%</b>

**Consolidated balance sheet**

Amounts in M.€

	<b>31 Dec.15</b> as reported	<b>31 Dec. 16</b> as reported
<b>Assets</b>		
Cash and deposits at central banks	2 728.2	876.6
Deposits at other credit institutions	612.1	300.2
Loans and advances to credit institutions	1 230.0	637.6
Loans and advances to Customers	24 281.6	22 735.8
Financial assets held for trading and at fair value through profit or loss	3 674.6	2 197.9
Financial assets available for sale	6 509.4	3 876.4
Held to maturity investments	22.4	16.3
Hedging derivatives	91.3	25.8
Investments in associated companies and jointly controlled entities	210.4	175.7
Investment properties		
Non-current assets held for sale and discontinued operations		6 295.9
Other tangible assets	195.1	51.0
Intangible assets	29.1	25.6
Tax assets	420.2	471.8
Other assets	668.8	598.0
<b>Total assets</b>	<b>40 673.3</b>	<b>38 284.7</b>
<b>Liabilities and shareholders' equity</b>		
Resources of central banks	1 520.7	2 000.0
Financial liabilities held for trading	294.3	212.7
Resources of other credit institutions	1 311.8	1 096.4
Resources of Customers and other debts	28 177.8	21 967.7
Debts securities	1 077.4	506.8
Technical provisions	3 663.1	2 048.8
Financial liabilities relating to transferred assets	689.5	555.4
Hedging derivatives	161.6	97.8
Non-current liabilities held for sale and discontinued operations		5 951.4
Provisions	99.9	70.2
Tax liabilities	92.0	22.0
Contingent convertible subordinated bonds		
Other subordinated debt and participating bonds	69.5	69.5
Other liabilities	680.2	777.4
Subscribed share capital	1 293.1	1 293.1
Reserves	885.0	840.7
Other equity instruments	5.2	4.3
Treasury shares	( 12.8)	( 10.8)
Net profit	236.4	313.2
Shareholders' equity attributable to the shareholders of BPI	2 406.9	2 440.5
Non-controlling interests	428.6	468.0
<b>Shareholders' equity</b>	<b>2 835.5</b>	<b>2 908.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>40 673.3</b>	<b>38 284.7</b>

**Domestic activity income statement**

Amounts in M.€

	2015 as reported	2016 as reported	Chg.% Dec15 / Dec16
Financial margin (narrow sense)	316.4	<b>362.9</b>	14.7%
Gross margin on unit links	13.0	<b>13.5</b>	3.8%
Income from equity instruments	4.7	<b>8.5</b>	80.0%
Net commissions relating to amortised cost	21.1	<b>21.2</b>	0.5%
<b>Financial margin</b>	<b>355.2</b>	<b>406.0</b>	<b>14.3%</b>
Technical result of insurance contracts	31.8	<b>24.6</b>	(22.6%)
Net commission income	255.9	<b>259.7</b>	1.5%
Net income on financial operations	47.9	<b>48.9</b>	1.9%
Net operating income	( 24.7)	<b>( 23.8)</b>	3.7%
<b>Operating income from banking activity</b>	<b>666.2</b>	<b>715.4</b>	<b>7.4%</b>
Personnel costs	300.2	<b>306.2</b>	2.0%
General administrative costs	177.3	<b>168.0</b>	(5.3%)
Depreciation and amortisation	19.8	<b>21.3</b>	7.7%
<b>Overhead costs</b>	<b>497.3</b>	<b>495.4</b>	<b>(0.4%)</b>
<b>Operating profit before impairments and provisions</b>	<b>168.8</b>	<b>220.0</b>	<b>30.3%</b>
Recovery of loans, interest and expenses	16.2	<b>13.7</b>	(15.5%)
Impairment losses and provisions for loans and guarantees, net	103.4	<b>33.0</b>	(68.1%)
Impairment losses and other provisions, net	15.9	<b>36.5</b>	129.4%
<b>Net income before income tax</b>	<b>65.8</b>	<b>164.2</b>	<b>149.5%</b>
Income tax	( 4.2)	<b>37.5</b>	996.7%
Earnings of associated companies (equity method)	23.1	<b>20.3</b>	(12.2%)
Income attributable to non-controlling interests	0.0	<b>0.0</b>	4.1%
<b>Net Income</b>	<b>93.1</b>	<b>147.0</b>	<b>57.9%</b>

n.s. – non-significant.

**Domestic activity balance sheet**

Amounts in M.€

	31 Dec.15 as reported	31 Dec. 16 as reported	Chg. % Dec.15/ Dec.16
<b>Assets</b>			
Cash and deposits at central banks	997.7	876.6	(12.1%)
Deposits at other credit institutions	434.4	300.2	(30.9%)
Loans and advances to credit institutions	732.5	636.5	(13.1%)
Loans and advances to Customers	22 788.1	22 735.8	(0.2%)
Financial assets held for trading and at fair value through profit or loss	3 147.1	2 197.9	(30.2%)
Financial assets available for sale	3 723.0	3 876.4	4.1%
Held to maturity investments	22.4	16.3	(27.2%)
Hedging derivatives	91.3	25.8	(71.7%)
Investments in associated companies and jointly controlled entities	146.1	130.8	(10.5%)
Investment properties			
Non-current assets held for sale and discontinued operations			
Other tangible assets	66.0	50.8	(23.0%)
Intangible assets	25.5	25.6	0.5%
Tax assets	411.0	471.1	14.6%
Other assets	685.9	642.7	(6.3%)
<b>Total assets</b>	<b>33 271.0</b>	<b>31 986.6</b>	<b>(3.9%)</b>
<b>Liabilities and shareholders' equity</b>			
Resources of central banks	1 520.7	2 000.0	31.5%
Financial liabilities held for trading	268.6	212.7	(20.8%)
Resources of other credit institutions	1 895.7	1 724.5	(9.0%)
Resources of Customers and other debts	21 264.8	21 967.7	3.3%
Debts securities	1 077.4	506.8	(53.0%)
Technical provisions	3 663.1	2 048.8	(44.1%)
Financial liabilities relating to transferred assets	689.5	555.4	(19.5%)
Hedging derivatives	161.6	97.8	(39.5%)
Non-current liabilities held for sale and discontinued operations			
Provisions	73.5	70.2	(4.4%)
Tax liabilities	51.3	10.0	(80.5%)
Contingent convertible subordinated bonds			
Other subordinated debt and participating bonds	69.5	69.5	(0.0%)
Other liabilities	605.6	776.9	28.3%
Shareholders' equity attributable to the shareholders of BPI	1 927.8	1 944.6	0.9%
Non-controlling interests	1.8	1.8	(1.5%)
<b>Shareholders' equity</b>	<b>1 929.6</b>	<b>1 946.3</b>	<b>0.9%</b>
<b>Total liabilities and shareholders' equity</b>	<b>33 271.0</b>	<b>31 986.6</b>	<b>(3.9%)</b>

Note: The balance sheet relating to domestic operations presented above has not been corrected for the balances resulting from operations with the "International Operations" geographical segment.

**International activity income statement**

Amounts in M.€

	Dec.15 as reported	Dez.15 proforma	Dec.16 as reported	Chg.% Dec15 proforma / Dec16
Financial margin (narrow sense)	<b>308.2</b>	<b>1.0</b>	1.4	38.6%
Gross margin on unit links				
Income from equity instruments	<b>0.0</b>	<b>0.0</b>		(100.0%)
Net commissions relating to amortised cost	<b>0.0</b>			
<b>Financial margin</b>	<b>308.2</b>	<b>1.0</b>	<b>1.4</b>	<b>38.5%</b>
Technical result of insurance contracts				
Net commission income	<b>68.7</b>	<b>( 0.8)</b>	( 0.3)	62.1%
Net income on financial operations	<b>146.7</b>	<b>0.0</b>	0.1	1723.1%
Net operating income	<b>( 7.9)</b>	<b>( 0.0)</b>	( 0.0)	(16.6%)
<b>Operating income from banking activity</b>	<b>515.7</b>	<b>0.2</b>	<b>1.1</b>	<b>440.7%</b>
Personnel costs	<b>85.0</b>	<b>2.1</b>	1.8	(15.0%)
General administrative costs	<b>71.9</b>	<b>0.7</b>	0.6	(11.1%)
Depreciation and amortisation	<b>16.4</b>	<b>0.1</b>	0.1	(29.6%)
<b>Overhead costs</b>	<b>173.3</b>	<b>2.9</b>	<b>2.5</b>	<b>(14.7%)</b>
<b>Operating profit before impairments and provisions</b>	<b>342.4</b>	<b>( 2.7)</b>	<b>( 1.4)</b>	<b>49.4%</b>
Recovery of loans, interest and expenses	<b>1.9</b>			
Impairment losses and provisions for loans and guarantees, net	<b>33.6</b>			
Impairment losses and other provisions, net	<b>3.6</b>			
<b>Net income before income tax</b>	<b>307.1</b>	<b>( 2.7)</b>	<b>( 1.4)</b>	<b>49.4%</b>
Income tax	<b>33.3</b>	<b>6.3</b>	7.2	13.2%
Earnings of associated companies (equity method)	<b>10.3</b>	<b>10.3</b>	5.9	(42.9%)
<b>Net income from continuing operations</b>	<b>284.1</b>	<b>1.2</b>	<b>( 2.7)</b>	<b>(313.3%)</b>
Net income from discontinued operations		<b>282.8</b>	337.7	19.4%
Income attributable to non-controlling interests from continuing operations	<b>140.8</b>			
Income attributable to non-controlling interests from discontinued operations		<b>140.8</b>	168.8	19.9%
<b>Net Income</b>	<b>143.3</b>	<b>143.3</b>	<b>166.3</b>	<b>16.1%</b>

Note: 2015 proforma reflecting the retroactive application of IFRS 5 to the recognition of BFA 2015 results.

**International activity balance sheet**

Amounts in M.€

	<b>31 Dec.15</b> as reported	<b>31 Dec. 16</b> as reported
<b>Assets</b>		
Cash and deposits at central banks	1 730.5	0.0
Deposits at other credit institutions	345.3	0.0
Loans and advances to credit institutions	914.0	1.1
Loans and advances to Customers	1 493.6	
Financial assets held for trading and at fair value through profit or loss	527.5	
Financial assets available for sale	2 786.4	
Held to maturity investments		
Hedging derivatives		
Investments in associated companies and jointly controlled entities	64.3	44.8
Investment properties		
Non-current assets held for sale and discontinued operations		6 924.7
Other tangible assets	129.1	0.1
Intangible assets	3.7	0.0
Tax assets	9.2	0.7
Other assets	18.1	0.5
<b>Total assets</b>	<b>8 021.7</b>	<b>6 972.0</b>
<b>Liabilities and shareholders' equity</b>		
Resources of central banks		
Financial liabilities held for trading	25.7	
Resources of other credit institutions	0.3	0.8
Resources of Customers and other debts		6 913.0
Debts securities		
Technical provisions		
Financial liabilities relating to transferred assets		
Hedging derivatives		
Non-current liabilities held for sale and discontinued operations		5 990.3
Provisions	26.4	
Tax liabilities	40.8	12.0
Contingent convertible subordinated bonds		
Other subordinated debt and participating bonds		
Other liabilities	109.7	6.8
Shareholders' equity attributable to the shareholders of BPI	479.0	495.9
Non-controlling interests	426.8	466.3
<b>Shareholders' equity</b>	<b>905.9</b>	<b>962.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>8 021.7</b>	<b>6 972.0</b>

**Note:**

The balance sheet relating to international operations presented above has not been corrected for the balances resulting from operations with the "Domestic Operations" geographical segment.

**BFA non consolidated income statement**

Amounts in M.€

	Dec.15 as reported	Dec.16 as reported	Dec.15 / Dec.16	
			Chg. M.€	Chg. %
Financial margin	308.6	364.9	56.4	18.3%
Technical result of insurance contracts	0.0	0.0	0.0	0.0%
Net commission income	67.5	65.8	( 1.7)	-2.4%
Net income on financial operations	146.7	124.7	( 22.0)	-15.0%
Net operating income	( 7.9)	( 27.7)	( 19.8)	-249.5%
<b>Operating income from banking activity</b>	<b>514.9</b>	<b>527.8</b>	<b>12.9</b>	<b>2.5%</b>
Personnel costs	82.9	92.0	9.2	11.0%
General administrative costs	71.2	63.0	( 8.3)	-11.6%
Depreciation and amortisation	16.2	13.0	( 3.3)	-20.1%
<b>Overhead costs</b>	<b>170.3</b>	<b>168.0</b>	<b>( 2.4)</b>	<b>-1.4%</b>
<b>Operating profit before impairments and provisions</b>	<b>344.5</b>	<b>359.8</b>	<b>15.3</b>	<b>4.4%</b>
Recovery of loans, interest and expenses	1.9	2.2	0.3	13.5%
Impairment losses and provisions for loans and guarantees, net	33.6	15.8	( 17.9)	-53.1%
Impairment losses and other provisions, net	3.6	4.9	1.2	34.5%
<b>Net income before income tax</b>	<b>309.2</b>	<b>341.4</b>	<b>32.2</b>	<b>10.4%</b>
Income tax	27.0	3.0	( 24.0)	-88.7%
<b>BFA non-consolidated net income</b>	<b>282.2</b>	<b>338.3</b>	<b>56.1</b>	<b>19.9%</b>
Taxes on dividends	5.7	6.8	1.1	19.9%
Income attributable to non-controlling interests	140.8	168.8	28.0	19.9%
<b>BFA contribution to consolidated net income</b>	<b>135.7</b>	<b>162.7</b>	<b>27.0</b>	<b>19.9%</b>

**BFA upon consolidated Balance sheet**

Amounts in M.€

	31 Dec.15 as reported	31 Dec. 16 as reported	Chg.% Dec.15/ Dec.16
<b>Assets</b>			
Cash and deposits at central banks	1 730.5	1 505.9	(13.0%)
Deposits at other credit institutions	345.3	205.2	(40.6%)
Loans and advances to credit institutions	913.2	578.3	(36.7%)
Loans and advances to Customers	1 493.6	1 269.4	(15.0%)
Financial assets held for trading and at fair value through profit or loss	527.5	1 823.0	245.6%
Financial assets available for sale	2 786.4	1 398.1	(49.8%)
Other tangible assets	128.9	103.9	(19.4%)
Intangible assets	3.6	7.1	93.7%
Tax assets	8.3	9.7	17.0%
Other assets	19.6	25.1	28.1%
<b>Total assets</b>	<b>7 957.0</b>	<b>6 925.6</b>	<b>(13.0%)</b>
<b>Liabilities and shareholders' equity</b>			
Resources of central banks			
Financial liabilities held for trading	25.7	8.1	(68.3%)
Resources of other credit institutions	0.1	0.1	1.2%
Resources of Customers and other debts	6 913.0	5 842.8	(15.5%)
Debts securities			
Provisions	26.4	23.6	(10.5%)
Tax liabilities	30.7	23.7	(22.8%)
Other subordinated debt and participating bonds			
Other liabilities	105.7	92.9	(12.1%)
<b>Shareholders' equity</b>	<b>855.4</b>	<b>934.4</b>	<b>9.2%</b>
<b>Total liabilities and shareholders' equity</b>	<b>7 957.0</b>	<b>6 925.6</b>	<b>(13.0%)</b>

**Profitability, efficiency, loan quality and solvency**  
**Consolidated indicators according to the Bank of Portugal Notice 23/2011**

	<b>31 Dec. 15</b> as reported	<b>31 Dec. 15</b> proforma	<b>31 Dec. 16</b> as reported
Operating income from banking activity and results of equity accounted subsidiaries / ATA	2.9%	1.7%	1.9%
Profit before taxation and income attributable to non-controlling interests / ATA	1.0%	0.9%	1.3%
Profit before taxation and income attributable to non-controlling interests / average shareholders' equity (including non-controlling interests)	15.1%	14.1%	19.0%
Personnel costs / Operating income from banking activity and results of equity accounted subsidiaries <sup>1</sup>	31.2%	42.3%	39.2%
Overhead costs / Operating income from banking activity and results of equity accounted subsidiaries <sup>1</sup>	54.6%	70.6%	64.8%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	3.9%	3.9%	3.2%
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	-0.2%	-0.2%	0.1%
Credit at risk as % of total loans (gross) <sup>2</sup>	4.9%	4.9%	3.9%
Credit at risk <sup>2</sup> , net of accumulated loan impairments as % of total loans (net)	0.8%	0.8%	0.8%
Restructured loans as % of total loans (gross) <sup>3</sup>	6.6%	6.6%	6.5%
Restructured loans not included in credit at risk as % of total loans (gross) <sup>3</sup>	4.6%	4.6%	4.8%
Total capital ratio	10.9% <sup>4)</sup>	10.9% <sup>4)</sup>	11.4% <sup>5)</sup>
Tier I ratio	10.9% <sup>4)</sup>	10.9% <sup>4)</sup>	11.4% <sup>5)</sup>
Core Tier I ratio	10.9% <sup>4)</sup>	10.9% <sup>4)</sup>	11.4% <sup>5)</sup>
Loans (net) to deposits ratio	85%	85%	106%

1) Excluding early-retirement costs and changes to the plan (personnel costs).

2) The credit at risk is the sum of: (1) the total amount outstanding on a loan in respect of which there are instalments of principal or interest in arrears for 90 days or more; (2) the total amount outstanding on loans which have been restructured, after having been in arrears for a period of 90 days or more, without adequate reinforcement of guarantees (these should be sufficient to cover the full amount of the outstanding principal and interest) or full payment of interest and other charges in arrears; (3) the total value of loans with instalments of principal and accrued interest in arrears for less than 90 days but in respect of which there is evidence to justify their classification as credit-at-risk, namely the debtor's bankruptcy or winding up.

3) According to Bank of Portugal Instruction 32/2013.

4) According to CRD IV/CRR phasing in rules for 2015.

5) According to CRD IV/CRR phasing in rules for 2016.

ATA = Average total assets.

## Alternative Performance Measures

The European Securities and Markets Authority (ESMA) published on 5 October 2015 a set of guidelines for the disclosure of Alternative Performance Measures (APM) by issuers (ESMA / 2015/1415). These guidelines are mandatory for issuers.

In addition to the information on Alternative Performance Measures (APM) disclosed in the annex to the consolidated quarterly information for 30 September 2016, published on the 30 November 2016 and available at cmvm website (www.cmvm.pt) and at BPI Investor Relations website (www.ir.bpi.pt), which is hereby incorporated by reference, the following table presents information on additional Alternative Performance Measures used to comply with the ESMA Guidelines.

Alternative Performance Measure (APM)	Definition of APM	Components and calculation basis	PAM (utility)
Adjusted overhead costs-to-commercial banking income	It is a relative measure (expressed as a percentage) of operating costs (overhead costs, excluding some items that show higher volatility) in relation to the most relevant income and gains arising from commercial activity with customers (it does not include the items of the banking product "Profits from financial operations" and "Other net operating income").	Adjusted overhead costs-to-commercial banking income = Overhead costs, excluding costs with early-retirements and gains with the revision of the Collective Labour Agreement (ACT) and with the change in the pension plan conditions (death subsidy) / Commercial banking income  where, Commercial banking income = financial margin + technical result of insurance contracts + net commissions income  The APM indicator and its components relate to past financial reporting periods.	This indicator (APM) is useful for assessing the progression of efficiency levels. However, it should be bear in mind that the indicator does not take into account the total operating income generated.

## Reconciliations and comparatives for previous period

	Cross-references to the Financial Statements and corresponding Notes	Domestic activity		Consolidated		
		Dec.15 as reported	Dec.16 as reported	Dec.15 as reported	Dez.15 proforma	Dec.16 as reported
Overhead costs		497.3	495.4	670.6	500.3	497.9
(-) Costs with early-retirements	Note 3. Segment reporting, pag. 39 of consolidated quarterly information 30 Sep. 2016	6.5	59.7	6.5	6.5	59.7
(-) Gains with the revision of the Collective Labour Agreement (ACT)	Note 4.39 Personnel costs, pag. 79 of consolidated quarterly information 30 Sep. 2016	0.0	- 42.9	0.0	0.0	- 42.9
(-) Gain with the change in the pension plan conditions - death subsidy <sup>1)</sup>	Note 4.24 Other liabilities of the 1st half 2016 Report and Accounts, pag. 181	-	-	-	-	-
= Overhead costs, excluding costs with early-retirements and gains with the revision of the ACT		<b>490.8</b>	<b>478.6</b>	<b>664.1</b>	<b>493.8</b>	<b>481.1</b>
(+) Financial margin		355.2	406.0	663.4	356.2	407.4
(+) Technical result of insurance contracts	Note 3. Segment reporting, pag. 39 of consolidated quarterly information	31.8	24.6	31.8	31.8	24.6
(+) Net commission income		255.9	259.7	324.7	255.2	259.4
= Commercial banking income		<b>642.9</b>	<b>690.3</b>	<b>1 019.9</b>	<b>643.1</b>	<b>691.4</b>
Adjusted overhead costs-to-commercial banking income ratio		<b>76.3%</b>	<b>69.3%</b>	<b>65.1%</b>	<b>76.8%</b>	<b>69.6%</b>

1) In 2012 (gain of 38.7 M.€) and 2013 (gain of 3.3 M.€).

