Earnings release

BANCO BPI CONSOLIDATED RESULTS IN THE 1st QUARTER 2017

(Unaudited)
Oporto, 26 April 2017
(Consolidated figures and y-o-y changes, except where indicated otherwise)

DOMESTIC ACTIVITY

- **NET PROFIT INCREASES FROM 7.9 M.€ TO 43.1 M.€ IN THE 1ST QUARTER 2017;**
- **ROE OF 8.8%;**
- **EFFICIENCY RATIO IMPROVES FROM 77.9% IN THE 1ST QUARTER 2016 TO 71.3% IN THE 1ST QUARTER 2017;**
- **FINANCIAL MARGIN INCREASES 7.1%;**
- **OPERATING INCOME FROM BANKING INCREASES 9.7%;**
- **OVERHEAD COSTS[1)] DECREASE 7.7%;**
- **CREDIT AT RISK RATIO DECREASES FROM 4.6% IN MAR. 2016 TO 3.8% IN MAR. 2017;**
- **LOANS-TO-DEPOSITS RATIO OF 104%;**
- **BPI ISSUED 300 M.€ OF TIER II SUBORDINATED DEBT, WITH A REMUNERATION RATE OF EURIBOR +5.74%, FULLY SUBSCRIBED BY CAIXABANK.**

INTERNATIONAL ACTIVITY

- **BFA NET PROFIT OF 103.0 M.€ IN THE 1ST QUARTER 2017; ROE OF 42%;**
- **BFA NET PROFIT ATTRIBUTABLE TO BPI OF 44.1 M.€ CORRESPONDING TO THE 48.1% SHAREHOLDING (EXCLUDING THE IMPACT OF THE SALE OF 2% OF BFA AND DECONSOLIDATION)**

CONSOLIDATED

- **NET PROFIT OF 90 M.€ (EXCL. THE IMPACT OF THE SALE OF 2% OF BFA AND DECONSOLIDATION);**
- **ROE OF 14.7% (EXCL. THE IMPACT OF THE SALE OF 2% OF BFA AND DECONSOLIDATION);**
- **NET PROFIT "AS REPORTED" OF -122.3 M.€, REFLECTS THE IMPACT OF ACCOUNTING THE SALE OF 2% OF BFA AND DECONSOLIDATION**
- **COMMON EQUITY TIER 1 RATIO CRD IV / CRR:**
- **PHASING-IN: 11.9%;**
- **FULLY IMPLEMENTED: 10.8%.**
- **T1 RATIO OF 11.9% AND TOTAL CAPITAL RATIO OF 13.3% (BOTH PHASING IN)**
- **BPI COMPLIES WITH MINIMUM SREP 2017 FOR CET1, T1 AND TOTAL RATIO.**

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1) Overhead costs excluding early retirement costs and indemnities related with the branch in France.

BPI GROUP CONSOLIDATED RESULTS

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 consolidated financial statements for the first quarter of 2017 reflect:

- the capital gain realized with the sale of the 2% stake in BFA in the amount of 6.6 M.€, after taxes[1].
- the deconsolidation of the shareholding in BFA, which is now recognized by the equity method.

In addition, in accordance with International Accounting Standards, the change in BFA's consolidation method (deconsolidation) had the following consequences, already indicated in the Bank statement published on the 11 November 2016:

- the transfer, between shareholders equity captions, from accumulated negative foreign exchange reserves – amounting to -182.1 M.€ – to net income for the year, therefore impacting negatively the consolidated net income by -182.1 M.€, but having no impact on shareholders' equity, as that impact was already offset to shareholders' equity. The aforementioned reserves reflected adverse exchange rate variations in the translation of BFA's financial statements from kwanzas to euros.
- the increase in the provision for deferred tax liabilities by 36.8 M.€ associated with the potential gain in the 48.1% stake kept by BFA.

In summary, the impact of the sale of 2% of BFA on consolidated shareholders equity was negative by 30.2 M.€ (capital gain of 6.6 M.€ and, with a negative sign, deferred tax liabilities of 36.8 M.€).

The impact on consolidated net income was negative by 212.3 M.€, due to the fact that in addition to the aforementioned negative amount of 30.2 M.€, there was a transfer of 182.1 M.€ of negative foreign exchange reserves to the net income for the year.

It should be noted that the above mentioned transfer, now recorded, of 182.1 M.€ of negative foreign exchange reserves to the net income for the year, constitutes a change in the accounting treatment of a situation that was already recognised and recorded in BPI's financial statements and does not constitute a loss of economic value in the 1st quarter 2017, as evidenced by the fact that BPI shareholders' equity is not affected.

Amounts in M.€	Consolidated	Of which	
		Domestic	International
Proceeds from the sale of the 2% stake	28.0	28.0	
2% of BFA shareholders' equity	-18.7	-18.7	
Realised capital gain	**9.3**	**9.3**	
Taxes on the capital gain (@10%)	-2.7	-2.7	0.0
Realised capital gains net of taxes	**6.6**	**6.6**	**0.0**
Annulment of the foreign exchange reserve related to the 50.1% stake in BFA	-182.1	-7.3	-174.9
Deferred taxes on the gain on the 48.1% stake kept by BFA	-36.8		-36.8
Total impact of the sale in net income	**-212.3**	**-0.7**	**-211.6**
Transfer of 2% of BFA shareholders equity		18.7	-18.7
Total impact on shareholders' equity	**-30.2**	**25.3**	**-55.4**

1) Realised gain (before taxes) of 9.3 M.€, deducted of taxes (2.7 M.€) on the gain recorded in the individual accounts that has as reference the respective cost of acquisition of the participation.

I. CONSOLIDATED RESULTS

Net profit

Net income of -122.3 M.€ – BANCO BPI (Euronext Lisbon - Reuters BBPI.LS; Bloomberg BPI PL) recorded a negative consolidated net income of 122.3 million euro (M.€) in the 1st quarter 2017, which reflects a negative impact of 212.3 M.€ from the sale of 2% of BFA and consequent deconsolidation of this entity which is now recognized in the financial accounts of BPI Group by the equity method. Earnings per share (Basic EPS) were -0.084€ (0.032 € in the 1st quarter 2016).

When excluding the aforementioned impact from the sale of the 2% stake in Banco de Fomento Angola and consequent deconsolidation, consolidated net income amounts to 90 M.€, with contributions of 43.8 M.€ from domestic activity (7.9 M.€ in the same period of 2016) and 46.2 M.€ from international activity (37.9 M.€ in the same period of 2016).

Return on shareholders' equity (ROE)

The return on shareholders' equity (ROE) was 14.7% in the 1st quarter 2017 (7.8% in the same period of 2016), excluding the impact from the sale of the 2% stake in BFA and deconsolidation.

The return on shareholders' equity in the domestic activity, in the same periods and in accordance with the above criteria, improved from 1.7% to 8.9%.

In the international activity, in its individual accounts, BFA's posted a return on shareholders' equity (non-consolidated ROE) of 42% in the 1st quarter 2017 (39% in 1st Q. 2016) and BCI's non-consolidated ROE reached 21% (9.6% in 1st Q. 2016). The ROE of the international activity (after consolidation adjustments) stood at 38.8% (34.4% in the 1st Q. 2016).

Capital allocation, results and ROE by business area

Amounts in M.€

	1st Q. 2016 (as reported)			1st Q. 2017, excluding the impact of the 2% sale of BFA and deconsolidation		
	Domestic activity	International activity	BPI Group (consolidated)	Domestic activity	International activity	BPI Group (consolidated)
Capital allocated adjusted[1]	1 900.9	440.8	**2 341.7**	1 966.9	476.6	**2 443.5**
As % of total	81.2%	18.8%	**100.0%**	80.5%	19.5%	**100.0%**
Net income	7.9	37.9	**45.8**	43.8	46.2	**90.0**
Return on Shareholders' Equity (ROE)	**1.7%**	**34.4%**	**7.8%**	**8.9%**	**38.8%**	**14.7%**
Net income "as reported"				43.1	(165.4)	**(122.3)**
ROE "as reported"				8.8%	-138.8%	**-20.0%**

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.€

	Mar. 16 as reported	Mar. 16 proforma	Mar. 17 as reported
Financial margin	167.8	95.2	101.2
Technical result of insurance contracts	7.9	7.9	3.6
Net commission income	74.1	60.9	63.0
Net income on financial operations	51.9	(3.6)	7.7
Net operating income	(5.0)	(1.2)	(176.0)
Operating income from banking activity	**296.7**	**159.2**	**(0.5)**
Personnel costs	95.3	74.0	77.9
General administrative costs	60.5	44.8	41.4
Depreciation and amortisation	8.6	5.5	5.5
Overhead costs	**164.5**	**124.2**	**124.7**
Operating profit before impairments and provisions	**132.3**	**35.0**	**(125.2)**
Recovery of loans, interest and expenses	4.7	3.9	6.2
Impairment losses and provisions for loans and guarantees, net	30.7	20.1	(0.1)
Impairment losses and other provisions, net	4.2	3.3	(3.5)
Net income before income tax	**102.1**	**15.5**	**(115.4)**
Income tax	23.5	13.4	63.1
Earnings of associated companies (equity method)	5.6	5.6	56.1
Net income from continuing operations	**84.2**	**7.6**	**(122.3)**
Net income from discontinued operations	0.0	76.6	0.0
Income attributable to non-controlling interests from continuing operations	38.4	0.0	0.0
Income attributable to non-controlling interests from discontinued operations	0.0	38.4	0.0
Net Income	**45.8**	**45.8**	**(122.3)**

Note: The designation "Mar. 16 proforma "reflects the expression of BFA's contribution to consolidated income in accordance with IFRS 5.

II. CAPITAL

Common Equity Tier 1 capital ratio

At 31 March 2017, the consolidated Common Equity Tier 1 (CET1) ratio calculated according to CRD IV / CRR rules stands at:

- CET1 phasing in (rules for 2017): 11.9%;
- CET1 fully implemented: 10.8%

Own funds and own funds requirements

Amounts in M.€

	CRD IV / CRR Phasing in			CRD IV / CRR Fully implemented		
	31 Mar. 16 (rules for 2016)	**31 Dec. 16** (rules for 2016)	**31 Mar. 17** (rules for 2017)	**31 Mar. 16**	**31 Dez. 16**	**31 Mar. 17**
Common Equity Tier 1 capital	2 493.6	2 754.7	1 971.7	2 297.3	2 678.8	1 770.9
Risk weighted assets	22 986.4	24 122.1	16 622.6	22 943.9	24 076.1	16 353.3
Common Equity Tier 1 ratio	**10.8%**	**11.4%**	**11.9%**	**10.0%**	**11.1%**	**10.8%**
Common Equity Tier 1 ratio	10.8%	11.4%	11.9%	10.2%	11.1%	10.8%
Common Equity Tier 1 ratio	10.8%	11.4%	13.3%	10.3%	11.2%	12.6%

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 2017) amounted to 1.9 Bi.€ and corresponded to a CET1 ratio of 11.7% (11.0% in March 2016, according to the rules for that year);
- CET1 fully implemented amounted to 1.8 Bi.€ and corresponded to a CET1 ratio of 11.3% (10.3% in March 2016).

SREP 2017 capital ratios

According to the Supervisory Review and Evaluation Process (SREP) decision for 2017, the following are the minimum capital ratios that BPI has to meet from 1 January:

Minimum requirements for 2017

Phasing-in	Consolidated					Individual
	Total	Of which:				Total
		Pillar 1	Pillar 2	Buffers [1]	Guidance Pillar 2	
CET1	9.25%	4.50%	2.50%	1.25%	1.0%	8.25% [2]
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.

At 31 March 2017 the Bank complies with all new SREP minimum capital ratios.

To comply with the total capital ratio of 12.0% (minimum SREP of 11.75% + 0.25% buffer), the issuance of 300 M.€ of Tier II subordinated debt in the quarter was decisive. This issue has a remuneration rate equivalent to Euribor + 5.74% and was fully subscribed by Caixabank.

Leverage and Liquidity ratios

At 31 March 2017, the Leverage and Liquidity ratios calculated according to CRD IV / CRR rules are as follows:

- Leverage ratio *phasing in*: 6.5% in the consolidated accounts and 6.4% in the domestic activity;
- Leverage ratio *Fully implemented*: 5.9% in the consolidated accounts and 6.1% in the domestic activity (vs. a minimum ratio of 3% required on 1 Jan. 2018).
- Liquidity Coverage Ratio (LCR) *fully implemented*: 162% in the consolidated accounts and in the domestic activity (vs. a minimum ratio of 100% required in 2018).
- Net Stable Funding Ratio (NSFR) *fully implemented*: 111% in the consolidated accounts and 112% 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 by 35.2 M.€ yoy to 43.1 M.€ in the 1st quarter 2017. The return on shareholders' equity in the domestic activity increased from 1.7% in the 1st quarter 2016 to 8.8%[1] in the 1st quarter 2017.

Income statement

Amounts in M.€

	Mar. 16 as reported	Mar. 17 as reported	Mar.16 / Mar . 17	
			Chg. M.€	Chg.%
Financial margin	94.6	101.3	6.7	7.1%
Technical result of insurance contracts	7.9	3.6	(4.3)	-54.2%
Net commission income	61.0	62.7	1.7	2.8%
Net income on financial operations	(3.6)	7.7	11.2	314.1%
Net operating income	(1.2)	(1.1)	0.1	5.5%
Operating income from banking activity	**158.7**	**174.1**	**15.5**	**9.7%**
Personnel costs	73.5	77.5	3.9	5.4%
General administrative costs	44.6	41.2	(3.3)	-7.5%
Depreciation and amortisation	5.5	5.5	0.0	0.0%
Overhead costs	**123.6**	**124.2**	**0.6**	**0.5%**
Operating profit before impairments and provisions	**35.1**	**49.9**	**14.9**	**42.3%**
Recovery of loans, interest and expenses	3.9	6.2	2.3	58.2%
Impairment losses and provisions for loans and guarantees, net	20.1	(0.1)	(20.2)	-100.6%
Impairment losses and other provisions, net	3.3	(3.5)	(6.8)	-207.8%
Net income before income tax	**15.6**	**59.8**	**44.2**	**284.0%**
Income tax	11.8	21.1	9.3	78.8%
Earnings of associated companies (equity method)	4.1	4.4	0.3	7.3%
Income attributable to non-controlling interests	0.0	0.0	0.0	30.0%
Net Income	**7.9**	**43.1**	**35.2**	**447.4%**

1) ROE of 8.9% in the 1st quarter 2017 excluding the impact of the sale of 2% of BFA and its deconsolidation.

Costumer resources and loans

Resources

Customer deposits increased by 5.6% yoy (+1 060 M.€) to 19.9 Bi.€ at the end of March 2017 and the off-balance sheet Customer resources (unit trust funds, Retirements savings – PPR - and equity savings – PPA - plans) increased by 17.1% (+766 M.€) yoy to 5.2 Bi.€.

The capitalisation insurance products with guaranteed invested capital and participation in the portfolios results registered a decrease of 37.5% (-1.2 Bi.€).

Total Customer resources in the domestic activity (on-balance sheet and off-balance sheet) stood at 28.4 Bi.€ at March 2017, increasing by 1.0% year-on-year (+270 M.€).

In the assessment of the trend in Customer resources, it should be bear in mind the placement by BPI, through its distribution network, of an amount of 1.2 B € of Variable Income Treasury Bonds (third-party financial products) from March 2016, which does not integrate the aggregate Total Customer Resources.

The aggregate "Global Customer Resources", which also includes Client applications in third-party financial products, registers a 4.4% increase yoy (+1.4 Bi €), totalling 32.7 Bi.€ at the end of March 2017.

Total Customers resources

Amounts in M.€

	Mar. 16	Dec.16	Mar. 17	Chg.% Mar.16/ Mar.17
On-balance sheet resources				
Sight and other deposits	9 253.9	10 335.5	10 643.3	15.0%
Term and savings deposits	9 601.4	9 265.3	9 272.0	(3.4%)
Customers' deposits	18 855.2	19 600.8	19 915.3	5.6%
Bonds placed with Customers	270.5	94.4	76.3	(71.8%)
Subtotal	19 125.7	19 695.1	19 991.6	4.5%
Capitalisation insurance and PPR (BPI Vida) and other	5 399.0	4 249.6	4 277.9	(20.8%)
Unit links insurance capitalisation	1 906.0	1 930.4	2 004.7	5.2%
"Aforro" insurance capitalisation products and other [1)]	3 205.8	2 069.6	2 005.2	(37.5%)
Participating units in consolidated trust funds	287.2	249.6	267.9	(6.7%)
On-balance sheet resources	**24 524.7**	**23 944.7**	**24 269.5**	**(1.0%)**
Off-balance sheet resources[2)]	4 483.2	4 842.7	5 248.7	17.1%
Corrections for double counting [3)]	(549.8)	(587.2)	(654.2)	
Deduction of placements of pension funds under management[4)]	(346.3)	(372.2)	(482.6)	
Total Customer resources[5)]	**28 111.8**	**27 827.9**	**28 381.5**	**1.0%**
Other customer resources				
Public offerings	314.1	1 304.3	1 312.5	317.9%
Third-party funds placed with customers	441.2	506.0	600.9	36.2%
Other customer securities	2 456.9	2 319.9	2 413.4	(1.8%)
Other customer resources	3 212.1	4 130.2	4 326.8	34.7%
Global Customer resources	**31 323.9**	**31 958.1**	**32 708.2**	**4.4%**
Pension funds under management	2 366.9	2 418.3	2 555.1	8.0%
BPI Group	1 391.3	1 397.5	1 514.7	8.9%
Other	975.5	1 020.8	1 040.4	6.6%

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 domestic loan portfolio registered a moderate year-on-year growth of 0.3%, signalling the reversal of the downward trend in the portfolio registered since 2010, as a result of the resumption in credit growth for large and medium-sized companies, the increase in mortgage loans contracting, the expansion of consumer credit and the expansion of loans to small businesses that remains at high levels.

In March 2017, relative to March 2016, it should be noted that:

- loans to large and medium-sized companies increase by 15.3%, i.e., +595 M.€[1]
- loans to small businesses increase by 9.3% (+158 M.€).
- the portfolio of mortgage loans was unchanged relative to March 2016 (+0.1%) as a result of the significant growth in new loans contracted (+25.3% in the 1st quarter 2017 relative to the same period in 2016).
- Consumer loans, credit cards and car financing increase by 14.9% (+130 M.€).

Loans to Customers

Amounts in M.€

	Mar. 16	Dec.16	Mar. 17	Chg.% Mar.16/ Mar.17
Corporate banking	**3 883.2**	**4 300.0**	**4 478.7**	**15.3%**
Large companies	1 498.0	1 733.6	1 751.5	16.9%
Medium-sized companies	2 385.2	2 566.4	2 727.2	14.3%
Project Finance - Portugal	**1 148.6**	**983.8**	**942.7**	**(17.9%)**
Madrid branch	**938.1**	**763.4**	**720.1**	**(23.2%)**
Project Finance	535.3	444.3	441.6	(17.5%)
Corporates	402.9	319.1	278.5	(30.9%)
Public Sector	**1 495.0**	**1 417.3**	**1 387.6**	**(7.2%)**
Central Administration	204.7	189.5	191.1	(6.6%)
Regional and local administrations	807.7	780.8	812.0	0.5%
State Corporate Sector - in the budget perimeter	51.6	51.8	50.2	(2.7%)
State Corporate Sector - outside the budget perimeter	400.3	365.6	305.3	(23.7%)
Other Institutional	30.7	29.6	28.9	(5.8%)
Individuals and Small Businesses Banking	**13 358.1**	**13 603.0**	**13 653.0**	**2.2%**
Mortgage loans to individuals	10 789.7	10 800.3	10 796.3	0.1%
Loans contracted before 2011	8 937.5	8 387.6	8 189.7	(8.4%)
Loans contracted in 2011 and thereafter	1 852.2	2 412.7	2 606.6	40.7%
Consumer credit / other purposes	595.6	663.0	681.8	14.5%
Credit Cards	136.8	158.2	144.3	5.5%
Car financing	139.7	166.0	176.3	26.2%
Small businesses	1 696.4	1 815.5	1 854.3	9.3%
BPI Vida	**1 440.3**	**1 295.4**	**1 179.9**	**(18.1%)**
Loans in arrears net of impairments	**- 42.3**	**- 4.4**	**- 0.6**	**(98.6%)**
Other	**424.6**	**377.4**	**356.9**	**(16.0%)**
Total	**22 645.6**	**22 735.8**	**22 718.4**	**0.3%**

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

Financial assets available for sale

At the end of March 2017, the portfolio of financial assets available for sale amounted to 3.8 Bi.€, at market prices. The fair value reserve (before deferred taxes) was positive by 18 M.€.

At 31 March 2017 the portfolio of financial assets available for sale comprised by 2.9 Bi.€ of EU sovereign short term debt (1.9 Bi.€ of Portuguese Treasury Bills, 501 M.€ of Italian debt and 496 M.€ of Spanish debt), 0.5 Bi.€ of EU sovereign medium and long term debt (339 M.€ of Portuguese Treasury Bonds and 190 M.€ of MLT Italian public debt), 87 M.€ of corporate bonds, 118 M.€ of equities and 173 M.€ of participating units.

Portfolio of financial assets available for sale

Amounts in M.€

M.€	31 Dec. 16					31 Mar. 17				
	Acquisition value	Book value	Gains / (losses) 1)			Acquisition value	Book value	Gains / (losses) 1)		
			in securities	in derivatives	Total			in securities	in derivatives	Total
Public debt	3 400	3 429	40	- 43	**- 3**	3 414	3 439	36	- 38	**- 3**
Portugal	2 228	2 248	25	- 27	**- 2**	2 232	2 252	23	- 24	**- 2**
Of which										
TBonds	319	339	25	- 27	**- 3**	319	339	22	- 24	**- 2**
TBills	1 909	1 909	0		**0**	1 912	1 913	1		**1**
Italy	185	195	15	- 16	**- 1**	185	190	13	- 14	**- 1**
T-Bills Spain	486	485	0		**0**	496	496	0		**0**
T-Bills Italy	501	501	0		**0**	501	501	0		**0**
Corporate Bonds	158	154	- 10	0	**- 10**	93	87	- 8		**- 8**
Equities	137	117	27		**27**	138	118	27		**27**
Other	232	176	0		**0**	227	173	2		**2**
Total	**3 927**	**3 876**	**57**	**- 43**	**14**	**3 872**	**3 817**	**57**	**- 38**	**18**

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 March 2017, corresponding entirely to funds raised under the TLTRO.

At the end of March 2017 BPI still had 6.8 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 2022, net of redemptions in the bonds portfolio, are of 0.7 Bi.€.

Operating income from banking activity

Operating income from banking activity generated by domestic operations increased by 9.7% (+15.5 M.€) yoy, to 174.1 M.€ in the 1st quarter 2017. The financial margin increased 7.1% (+6.7 M.€), commissions increased 2.8% (+1.7 M.€) and financial operations income increased from -3.6 M. € in the first quarter 2016 to 7.7 M. € in the first quarter 2017, whereas the technical result of insurance contracts decreased by 4.3 M. €, year on year, mainly explained by the reduction in the portfolio of these resources.

Financial margin in the domestic activity increased by 7.1% (+6.7 M.€) yoy.

The growth 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 0.6% in the 1st quarter 2016 to 0.2% in the 1st quarter 2017, reflecting the lower remuneration in the renewal of deposits and in new deposits taken.

Also contributing to the positive trend in financial margin was the recovery in credit demand, which was reflected in the expansion of the loan portfolios of the corporates, small businesses and personal credit segments, whereas the mortgage loan portfolio remained stable.

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 the financial margin from the securities portfolio;
- the reduction in spreads on new loans to corporates.

Net commissions income were 1.7 M.€ higher (+2.8%).

Net commission income

Amounts in M.€

	31 Mar. 16	31 Mar. 17	Chg. M.€	Chg.%
Commercial banking	49.8	50.3	+0.5	1.0%
Asset management	9.6	10.3	+0.7	7.5%
Investment banking	1.6	2.1	+0.5	29.4%
Total	**61.0**	**62.7**	**+1.7**	**2.8%**

Net income on financial operations amounted to 7.7 M.€ in the 1st quarter 2017 (negative by 3.6 M.€ in the same quarter of 2016).

Earnings of associated companies (equity-accounted)

The earnings of associated companies (equity-accounted) in domestic operations amounted to 4.4 M.€ in the 1st quarter 2017, increasing by 7.3% (+0.3 M.€), yoy.

The contribution of the subsidiaries from the insurance sector amounted to 3.0 M.€ (contribution of 1.8 M.€ from Allianz Portugal and 1.2 M.€ from Cosec).

Earnings of associated companies (equity-accounted earnings) Amounts in M.€

	31 Mar. 16	31 Mar. 17	Chg. M.€
Insurance companies	2.9	3.0	+0.1
Allianz Portugal	1.9	1.8	- 0.1
Cosec	1.0	1.2	+0.1
Unicre	1.2	1.5	+0.3
Other	0.0	(0.0)	- 0.0
Total	**4.1**	**4.4**	**+0.3**

Overhead costs

Overhead costs increased by 0.5% (+0.6 M.€) yoy. It included in the 1st quarter 2017 the following costs which totalled 10.7 M.€:

- Costs with early retirements of 7.2 M.€ (0.6 M.€ in the 1st quarter 2016) corresponding to 32 early retirements, of which 10 were concluded in the 1st quarter 2017 and the remaining 22 will occur until the end of 2017;
- Indemnities related with the branch in France of 3.5 M.€.

Excluding the above mentioned costs (10.7 M.€), the overhead costs decrease 7.7% (-9.5 M.€), from 123.0 M.€ in the 1st quarter 2016 to 113.5 M.€ in the 1st quarter 2017.

Overhead costs

Amounts in M.€

	31 Mar. 16	31 Mar. 17	Chg. M.€	Chg.%
Personnel costs	73.5	77.5	+3.9	5.4%
General administrative costs	44.6	41.2	- 3.3	(7.5%)
Depreciation and amortisation	5.5	5.5	+0.0	0.0%
Overhead costs	**123.6**	**124.2**	**+0.6**	**0.5%**
Of which:				
Costs with early-retirements	0.6	7.2	+6.6	
Indemnities related with the branch in France	0.0	3.5	+3.5	
Overhead costs, excluding costs with early-retirements and indemnities related with the branch in France				
Personnel costs, excluding costs with early-retirements and indemnities related with the branch in France	72.9	66.8	- 6.2	(8.5%)
General administrative costs	44.6	41.2	- 3.3	(7.5%)
Depreciation and amortisation	5.5	5.5	+0.0	0.0%
Overhead costs, excluding costs with early-retirements and indemnities related with the branch in France	**123.0**	**113.5**	**- 9.5**	**(7.7%)**
Cost-to-income ratio 1)	77.9%	71.3%		
Adjusted overhead costs-to-commercial banking income ratio 2)	75.2%	67.7%		

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

2) Overhead costs excluding costs with early-retirements and indemnities related with the branch in France 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 indemnities related with the branch in France decreased by 6.2 M.€ (-8.5%), mainly reflecting the year-on-year decrease of 6.7% in the average number of staff in domestic activity (-394 Employees). General administrative costs decreased by 3.3 M.€ (-7.5%) and depreciation and amortization remained unchanged, relative to the 1st quarter 2016.

The cost-to-income ratio in domestic operations – overhead costs as a percentage of operating income from banking activity – improved by 6.6 p.p., from 77.9% in the 1st quarter 2016 to 71.3% in the 1st quarter 2017.

The ratio of adjusted overhead costs-to-commercial banking income in domestic operations stood at 67.7% in the 1st quarter 2017, representing an improvement of 7.5 pp in relation to the ratio of 75.2% in the first quarter 2016.

Cost of credit risk

Reversals of impairment and provisions allowances for loans and guarantees of 0.1 M.€ were recorded in the 1st quarter 2017, which compares with charges of 20.1 M.€ of impairment losses and provisions for loans and guarantees in the same quarter of 2016.

On the other hand, arrear loans and interest previously written off and expenses of 6.2 M.€ were recovered in the 1st quarter 2017. As a result, the reversals of impairments and provisions for loans and guarantees plus the recoveries in the first quarter of 2017 corresponded to a positive 6.3 M.€ impact (before taxes) in the income for the quarter, representing 0.11% of the loan portfolio in annualized terms, whereas in the same quarter of 2016 a cost of credit risk net of recoveries[1] of 16.2 M. € (0.29% of the loan portfolio, in annualized terms) was recorded.

Cost of credit risk and cost of credit risk net of recoveries **Amounts in M.€**

	Mar. 16		Mar. 17	
	M.€	**% of loan portfolio1)**	**M.€**	**% of loan portfolio1)**
Impairment losses and provisions for loans and guarantees, net	20.1	0.36%	- 0.1	0.00%
Recovery of loans, interest and expenses	3.9	0.07%	6.2	0.11%
Impairment losses and provisions for loans and guarantees (net), after deducting the recovery of loans, interest and expenses	**16.2**	**0.29%**	**- 6.3**	**-0.11%**

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

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 March in 2016 to 2.9% in March 2017.

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% in March 2017.

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[2)], decreased from 4.6% in March 2016 to 3.8% in March 2017.

The accumulated impairment allowances and provisions for loans and guarantees in the balance sheet represented 81% of the credit at risk considering the consolidation perimeter IAS/IFRS in March 2017.

1) Impairment and provisions for loans and guarantees.
2) 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).

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

	Mar. 16		Dec. 16		Mar.17	
	M.€	% of loan portfolio 1)	M.€	% of loan portfolio 1)	M.€	% of loan portfolio 1)
Loans in arrears for more than 90 days	843.1	3.6%	685.3	2.9%	675.7	2.9%
Credit at risk (consolidation perimeter IAS/IFRS) 2)	1 079.0	4.6%	862.6	3.7%	879.6	3.8%
Impairments and provisions for loans and guarantees (in the balance sheet)	925.6	3.9%	717.7	3.1%	711.7	3.0%
Write offs (in the period)			186.1		5.9	
Impairments cover of loans in arrears for more than 90 days	110%		105%		105%	
Impairments cover of credit at risk	86%		83%		81%	
Note:						
Gross loan portfolio	23 544.7		23 431.0		23 408.7	

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 Mar. 2017 the credit at risk amounts to 879.6 M.€ and the credit at risk ratio to 4.0% in the domestic activity.

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

	Mar. 16			Mar. 17		
	M.€	% of loan portfolio 1)	Impairments coverage	M.€	% of loan portfolio 1)	Impairments coverage
Corporate banking	537.1	6.8%	97%	386.8	5.0%	90%
Individuals Banking	539.0	3.9%	73%	489.0	3.5%	72%
Mortgage loans	372.0	3.4%	63%	343.4	3.1%	62%
Other loans to individuals	41.8	4.6%	101%	42.3	4.1%	111%
Small businesses	125.2	6.9%	92%	103.3	5.3%	91%
Other	2.9	0.2%		3.8	0.2%	
Domestic activity	**1 079.0**	**4.6%**	**86%**	**879.6**	**3.8%**	**81%**

1) As % of the gross loan portfolio

Impairments for foreclosure properties

At 31 March 2017, foreclosed properties amounted to 110.2 M.€, in terms of gross balance sheet value (131.7 M.€ in December 2016). The accumulated amount of impairment allowances for foreclosed properties of 23.8 M.€, covered 21.6% of their gross balance sheet value (23.5% in December 2016). The net value of these properties was therefore 86.4 M.€ (100.7 M.€ in December 2016), which compared to a market value of these properties, according to the valuation of the Bank, of 106.9 M.€.

Foreclosed properties at 31 March 2017

Amounts in M.€

	Gross value	Coverage by impairments		Net value	Appraisal
		Amount	%		
Mortgage	46.7	1.5	3.2%	**45.2**	57.6
Other	63.4	22.3	35.2%	**41.1**	49.4
Total	**110.2**	**23.8**	**21.6%**	**86.4**	**106.9**

Impairment losses and other provisions

In the first quarter of 2017 reversals of impairments and other provisions of 3.5 M.€ were booked, which were mainly explained by the reversal of impairments arising from the sale of foreclosure properties.

Employee pension liabilities

At 31 March 2017 BPI's pension liabilities (total past service liability) amounted to 1 461.8 M.€ and were 100% covered by the pension fund.

Financing of pension liabilities

Amounts in M.€

	Mar. 16	Dec.16	Mar. 17
Total past service liability	1 281.1	1 463.1	1 461.8
Net assets of the pension funds[1)]	1 349.1	1 430.8	1 463.3
Excess / (insufficient) cover	68.0	(32.3)	1.4
Degree of coverage of pension liabilities	**105.3%**	**97.8%**	**100.1%**
Total actuarial deviations[2)]	(86.4)	(244.0)	(211.7)
Pension fund return[3]	-2.7%	-1.2%	3.0%

1) In Dec.16 includes 75.5 M.€ of contributions transferred to the pension funds in the beginning 2017.
2) Recognized directly in Shareholders' equity (OCI - Other Comprehensive Income), in accordance with IAS19.
3) Year-to-date non-annualised return

Pension funds' income

The Bank's pension funds posted a non-annualised return of 3.0% in the 1st quarter 2017.

It should be pointed out that, up till the end of March 2017, the actual return achieved by Banco BPI's since its creation, in 1991, was 9.1% per year, and that in the last ten, five and three years, the actual annual returns were 5.7%, 10.5% and 5.7%, respectively.

Actuarial assumptions

The following table sets forth the main actuarial assumptions used in calculating pension liabilities.

In the first quarter of 2017 there were no changes in actuarial assumptions.

Actuarial assumptions

	Dec.15	Jun.16	Dec.16	Mar. 17
Discount rate - current employees	2.83%	2.50%	2.00%	2.00%
Discount rate - retirees	2.00%	2.50%	2.00%	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%	2.00%	2.00%
Mortality table	(M): TV 73/77 – 2 years (1) (W): TV 88/ 90 – 3 years (1)			

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.

IV. INTERNATIONAL ACTIVITY RESULTS

Banco Fomento Angola (BFA)

Net income

BFA recorded in 1st quarter 2017 a non-consolidated net profit of 103.0 M.€, which corresponds to a 33.8% growth (+26.0 M.€) relative to the 1st quarter 2016.

The return on Shareholders' equity (non-consolidated) reached 42% in the 1st quarter 2017 (39% in the 1st quarter 2016).

Operating income from banking increased 8.8%, primarily led by the expansion of the financial margin. Overhead costs increased 12.2% year-on-year. BFA maintains high efficiency levels, which are reflected in a cost-to-income ratio (overhead costs as percentage of operating income from banking) of 30% in the 1st quarter 2017 (29% in the same quarter of 2016).

BFA net profit attributable to BPI amounted to 44.1 M.€[1] corresponding to the appropriation of 48.1% of its individual net profit (excluding the impact of 2% sale of BFA and deconsolidation).

BFA individual income statement

Amounts in M.€

	Mar.16 as reported	**Mar.17** as reported	**Mar.16 / Mar.17** **Chg. M.€**	**Chg.%**
Financial margin	73.3	118.2	44.9	61.2%
Technical result of insurance contracts	0.0	0.0	0.0	0.0%
Net commission income	12.8	19.8	6.9	54.1%
Net income on financial operations	55.5	21.3	(34.2)	-61.6%
Net operating income	(3.8)	(9.2)	(5.4)	-144.1%
Operating income from banking activity	**137.9**	**150.1**	**12.2**	**8.8%**
Personnel costs	21.4	23.6	2.2	10.4%
General administrative costs	15.7	18.0	2.3	14.5%
Depreciation and amortisation	3.2	3.6	0.4	12.6%
Overhead costs	**40.2**	**45.2**	**4.9**	**12.2%**
Operating profit before impairments and provisions	**97.7**	**104.9**	**7.2**	7.4%
Recovery of loans, interest and expenses	0.8	0.2	(0.7)	-80.9%
Impairment losses and provisions, net	11.4	1.4	(10.1)	-88.0%
Net income before income tax	**87.1**	**103.7**	**16.6**	**19.1%**
Income tax	10.0	0.7	(9.4)	-93.3%
BFA non-consolidated net income	**77.0**	**103.0**	**26.0**	**33.8%**
Result attributable to BPI	**38.6**	**49.6**	**11.0**	**28.4%**
Taxes on dividends and other	1.5	5.5	3.9	254.5%
BFA contribution to consolidated net income	**37.0**	**44.1**	**7.0**	**19.0%**

1) BFA contribution net of deferred taxes on dividends.

BPI

BFA total assets amounted to 7 067 M.€ at the end of March 2017.

BFA total Customer resources, measured in euro (consolidation currency), recorded a year-on-year decrease of 7.3%, to 5 711 M.€ in March 2017.

The BFA loans to Customers portfolio, expressed in euro, decreased by 6.9% yoy, to 1 222 M.€ in March 2017. BFA has a very liquid balance sheet and a high capitalization:

- The loans to deposits ratio is 21%;
- The solvency ratio, according to Banco Nacional de Angola rules, was 33%.

The number of Customers amounted to 1.6 million at the end of March 2017, representing a year-on-year growth of 11.9%. These were served by a distribution network with a strong presence in Luanda and a wide coverage of the entire Angolan territory. At the end of March 2017, BFA's distribution network comprised 166 branches, 9 investment centers and 16 business centers. BFA's workforce stood at 2 630 Employees in March 2017 (+ 0.9% year-on-year).

BFA major indicators Amounts in M.€

M.€	Mar. 16	Mar. 17	Chg. %
Net profit	77.0	103.0	33.8%
ROE	39%	42%	
Cost-to-income ratio	29%	30%	
Total assets	7 138	7 067	-1.0%
Deposits	6 159	5 711	-7.3%
Loan portfolio	1 311	1 222	-6.9%
Loans-to-deposits ratio	21%	21%	
Securities portfolio	2 999	3 617	20.6%
Shareholders' equity	779	1 036	33.0%
Solvency ratio (BNA rules)	26%	33%	
Employees	2 606	2 630	0.9%
Distribution network (units)	191	191	0.0%
Customers (thousand)	1,415	1,583	11.9%

Exchange rates

	Mar. 16	Mar. 17	Chg. %
Average exchange rate (year-to-date)			
AKZ / 1 EUR	175.7	185.4	5.5%
USD / 1 EUR *	1.109	1.117	0.8%
End of period exchange rate			
AKZ / 1 EUR	179.5	185.4	3.3%
USD / 1 EUR *	1.117	1.117	0.0%

*) Cross rate implicit in the AKZ/ USD and AKZ/EUR exchange rates published by BNA.

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[1]), stood at 2.5 M.€ in the 1st quarter 2017 (1.3 M.€ in the same quarter 2016).

1) Corresponds to the equity-accounted results relating to the appropriation of 30% of BCI individual net profit, being deducted of deferred taxes on BCI distributable earnings (recorded in the caption "Income tax").

BCI recorded a 3.8% yoy decrease in net total assets. Customer deposits fell by 5.7% year-on-year, to 1 546 M.€ at the end of March 2017 and the Customer loan portfolio decreased 11.8%, year-on-year, to 1 127 M.€. BCI market shares in deposits and loans, at the end of February 2017, reached 29.6% and 30.7%, respectively.

At the end of March 2017, BCI served 1.5 million clients (+10.3% relative to March 2016) through a network of 193 branches, representing 29.9%[1] of the total Mozambican banking system distribution network. The staff complement reached 2 958 Employees at March 2017 (-2.1% than in March 2016).

Contribution of international activity to consolidated net income

BFA net profit attributable to BPI amounted to 44.1 M.€[2] in the 1st quarter 2017, corresponding to the appropriation of 48.1% of its individual net profit.

To that figure it is added in the first quarter of 2017 the negative impact of 211.6 M.€ from the sale of the 2% stake in BFA and its deconsolidation. BFA's contribution to consolidated net income was therefore negative by 167.5 M.€.

BCI and remaining subsidiaries that made up the international activity perimeter contributed 2.1 M.€ to the consolidated net income in the 1st quarter 2017.

Hence, the international activity's contribution to the consolidated net income was negative by 165.4 M.€ in the 1st quarter 2017. Excluding the impact of the sale of 2% of BFA and its deconsolidation, international activity contribution stands at a positive 46.2 M.€.

Contribution of international activity to consolidated income

Amounts in M.€

	31 Mar. 16	31 Mar. 17	Chg. M.€
BFA individual net income	77.0	103.0	+26.0
BFA net income attributable to BPI 1)	37.0	44.1	+7.0
Impact from the sale of 2% of BFA and deconsolidation		-211.6	- 211.6
Contribution of BFA to consolidated net income	37.0	-167.5	- 204.6
Contribution of BCI and other	0.8	2.1	+1.3
International activity contribution	**37.9**	**-165.4**	**- 203.3**

1) Deducted of deferred taxes on dividends.

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1) In December 2016.
2) BFA contribution net of deferred taxes on dividends.

V. ANNEXES

Leading indicators

Amounts in M.€

	Domestic activity		International activity		Consolidated	
	Mar. 16 as reported	Mar. 17 as reported	Mar. 16 as reported	Mar. 17 as reported	Mar. 16 as reported	Mar. 17 as reported
Net income, efficiency and profitability						
Net income (as reported)	7.9	**43.1**	37.9	**- 165.4**	45.8	**- 122.3**
Net income (as reported) per share (EPS)	0.005	**0.030**	0.026	**-0.114**	0.032	**-0.084**
Weighted average number of shares [1)]	1,451	**1,454**	1,451	**1,454**	1,451	**1,454**
Cost-to-income ratio [2)]	77.9%	**71.3%**	29.6%	**n.s.**	55.4%	**n.s.**
Adjusted overhead costs-to-commercial banking income [3)]	75.2%	**67.7%**	47.4%	**n.s.**	65.6%	**67.9%**
Net income, excl. the impact of sale of 2% BFA and deconsolidation	7.9	**43.8**	37.9	**46.2**	45.8	**90.0**
Return on total assets (ROA), excl. the impact of sale of 2% BFA and deconsolidation	0.1%	**0.5%**	4.1%	**n.s.**	0.8%	**1.1%**
Return on Shareholders' equity (ROE), excl. the impact of sale of 2% BFA and deconsolidation	1.7%	**8.9%**	34.4%	**38.8%**	7.8%	**14.7%**
Balance sheet						
Net total assets [4)]	32 911	**32 427**	7 195	**550**	39 412	**32 977**
Loans to Customers	22 646	**22 718**	1 311	**-**	23 957	**22 718**
Sight, term and savings deposits	18 855	**19 915**	6 115	**-**	24 970	**19 915**
On-balance sheet Customer resources	24 525	**24 269**	6 115	**-**	30 639	**24 269**
Off-balance sheet Customer resources [5)]	4 483	**5 249**		**-**	4 483	**5 249**
Total Customer resources [6)]	28 112	**28 381**	6 115	**-**	34 227	**28 381**
Loans to deposits ratio (Instruction 23/2011 BoP)	108%	**104%**	21%	**-**	88%	**104%**
Asset quality						
Loans in arrears for more than 90 days	843	**676**	69	**-**	912	**676**
Ratio of loans in arrears for more than 90 days	3.6%	**2.9%**	4.9%	**-**	3.7%	**2.9%**
Impairments cover of loans in arrears for more than 90 days	110%	**105%**	150%	**-**	113%	**105%**
Credit at risk (consolidation perimeter IAS/IFRS) [7)]	1 079	**880**	91	**-**	1 170	**880**
Ratio of credit at risk (consolidation perimeter IAS/IFRS) [7)]	4.6%	**3.8%**	6.4%	**-**	4.7%	**3.8%**
Impairments cover of credit at risk (consolidation perimeter IAS/IFRS) [7)]	86%	**81%**	114%	**-**	88%	**81%**
Cost of credit risk net of recoveries [8)]	0.29%	**-0.11%**	2.84%	**-**	0.43%	**-0.11%**
Employees pension liabilities						
Total past service liability	1 281	**1 462**			1 281	**1 462**
Net assets of the pension funds	1 349	**1 463**			1 349	**1 463**
Degree of coverage of pension liabilities	105%	**100%**			105%	**100%**
Capital						
Shareholders' equity attributable to the shareholders of BPI	1 899	**2 038**	432	**495**	2 331	**2 533**
Shareholders' equity attributable to the shareholders of BPI and non-controlling interests	1 901	**2 040**	821	**495**	2 721	**2 535**
CRD IV/CRR phasing in						
Common Equity Tier I	1 728	**1 907**			2 494	**1 972**
Risk weighted assets	15 639	**16 269**			22 986	**16 623**
Common Equity Tier I ratio	11.0%	**11.7%**			10.8%	**11.9%**
Leverage ratio					6.8%	**6.5%**
LCR = Liquidity coverage ratio					157%	**162%**
NSFR = Net Stable Funding Ratio					113%	**111%**
CRD IV/CRR fully implemented						
Common Equity Tier I	1 610	**1 835**			2 297	**1 771**
Risk weighted assets	15 615	**16 209**			22 944	**16 353**
Common Equity Tier I ratio	10.3%	**11.3%**			10.0%	**10.8%**
Leverage ratio					6.5%	**5.9%**
LCR = Liquidity coverage ratio					157%	**162%**
NSFR = Net Stable Funding Ratio					113%	**111%**
Distribution network and staff						
Distribution network [9)]	595	**538**	191	**-**	786	**538**
BPI Group staff [10)]	5 875	**5 445**	2 626	**18**	8 501	**5 463**

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-retirements and indemnities related with the branch in France 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.
In annualised terms.

9) Includes traditional branches, housing shops, investment centres, corporate centres, Institutionals and one Project Finance centre. Domestic activity distribution network includes branches in Paris. In Mar.17, the distribution network of BFA (equity accounted) was excluded (made up of 191 branches).

10) Staff complement (excluding temporary work) of subsidiaries fully consolidated. In Mar.17, BFA staff complement (2 630 Employees) was excluded.

Consolidated income statement

Amounts in M.€

	Mar. 16 as reported	Mar. 16 proforma	Mar. 17 as reported
Financial margin (narrow sense)	158.7	86.1	**92.3**
Gross margin on unit links	3.6	3.6	**3.1**
Income from equity instruments	0.0	0.0	**0.1**
Net commissions relating to amortised cost	5.4	5.4	**5.8**
Financial margin	**167.8**	**95.2**	**101.2**
Technical result of insurance contracts	7.9	7.9	**3.6**
Net commission income	74.1	60.9	**63.0**
Net income on financial operations	51.9	(3.6)	**7.7**
Net operating income	(5.0)	(1.2)	**(176.0)**
Operating income from banking activity	**296.7**	**159.2**	**(0.5)**
Personnel costs	95.3	74.0	**77.9**
General administrative costs	60.5	44.8	**41.4**
Depreciation and amortisation	8.6	5.5	**5.5**
Overhead costs	**164.5**	**124.2**	**124.7**
Operating profit before impairments and provisions	**132.3**	**35.0**	**(125.2)**
Recovery of loans, interest and expenses	4.7	3.9	**6.2**
Impairment losses and provisions for loans and guarantees, net	30.7	20.1	**(0.1)**
Impairment losses and other provisions, net	4.2	3.3	**(3.5)**
Net income before income tax	**102.1**	**15.5**	**(115.4)**
Income tax	23.5	13.4	**63.1**
Earnings of associated companies (equity method)	5.6	5.6	**56.1**
Net income from continuing operations	**84.2**	**7.6**	**(122.3)**
Net income from discontinued operations		76.6	
Income attributable to non-controlling interests from continuing operations	38.4	0.0	**0.0**
Income attributable to non-controlling interests from discontinued operations		38.4	
Net Income	**45.8**	**45.8**	**(122.3)**

Note: The designation "Mar. 16 proforma "reflects the expression of BFA's contribution to consolidated income in accordance with IFRS 5.

Consolidated balance sheet

Amounts in M.€

	31 Mar. 16 as reported	31 Dec. 16 as reported	31 Mar. 17 as reported
Assets			
Cash and deposits at central banks	2 615.2	876.6	1 300.2
Deposits at other credit institutions	404.0	300.2	272.1
Loans and advances to credit institutions	1 252.6	637.6	781.8
Loans and advances to Customers	23 957.0	22 735.8	22 718.4
Financial assets held for trading and at fair value through profit or loss	3 843.4	2 197.9	2 421.4
Financial assets available for sale	5 864.4	3 876.4	3 816.9
Held to maturity investments	21.4	16.3	16.3
Hedging derivatives	46.8	25.8	21.1
Investments in associated companies and jointly controlled entities	212.3	175.7	681.6
Investment properties			
Non-current assets held for sale and discontinued operations		6 295.9	
Other tangible assets	168.8	51.0	48.0
Intangible assets	26.7	25.6	24.6
Tax assets	437.3	471.8	447.5
Other assets	562.3	598.0	426.8
Total assets	**39 412.1**	**38 284.7**	**32 976.7**
Liabilities and shareholders' equity			
Resources of central banks	1 652.8	2 000.0	1 999.5
Financial liabilities held for trading	296.8	212.7	208.7
Resources of other credit institutions	1 309.1	1 096.4	1 834.9
Resources of Customers and other debts	27 485.3	21 967.7	22 413.5
Debts securities	1 010.5	506.8	288.6
Technical provisions	3 181.0	2 048.8	1 985.2
Financial liabilities relating to transferred assets	674.5	555.4	525.6
Hedging derivatives	162.4	97.8	93.0
Non-current liabilities held for sale and discontinued operations		5 951.4	
Provisions	95.0	70.2	69.3
Tax liabilities	104.3	22.0	66.5
Contingent convertible subordinated bonds			
Other subordinated debt and participating bonds	69.5	69.5	369.9
Other liabilities	649.4	777.4	587.3
Subscribed share capital	1 293.1	1 293.1	1 293.1
Reserves	998.0	840.7	1 361.1
Other equity instruments	6.0	4.3	1.6
Treasury shares	(12.1)	(10.8)	(0.4)
Net profit	45.8	313.2	(122.3)
Shareholders' equity attributable to the shareholders of BPI	2 330.7	2 440.5	2 533.0
Non-controlling interests	390.7	468.0	1.8
Shareholders' equity	**2 721.5**	**2 908.5**	**2 534.7**
Total liabilities and shareholders' equity	**39 412.1**	**38 284.7**	**32 976.7**

Domestic activity income statement

Amounts in M.€

	Mar. 16 as reported	**Mar. 17** **as reported**	**Chg.%** **Mar16 /** **Mar17**
Financial margin (narrow sense)	85.5	**92.3**	8.0%
Gross margin on unit links	3.6	**3.1**	(14.2%)
Income from equity instruments	0.0	**0.1**	71.4%
Net commissions relating to amortised cost	5.4	**5.8**	6.5%
Financial margin	**94.6**	**101.3**	**7.1%**
Technical result of insurance contracts	7.9	**3.6**	(54.2%)
Net commission income	61.0	**62.7**	2.8%
Net income on financial operations	(3.6)	**7.7**	314.1%
Net operating income	(1.2)	**(1.1)**	5.5%
Operating income from banking activity	**158.7**	**174.1**	**9.7%**
Personnel costs	73.5	**77.5**	5.4%
General administrative costs	44.6	**41.2**	(7.5%)
Depreciation and amortisation	5.5	**5.5**	0.0%
Overhead costs	**123.6**	**124.2**	**0.5%**
Operating profit before impairments and provisions	**35.1**	**49.9**	**42.3%**
Recovery of loans, interest and expenses	3.9	**6.2**	58.2%
Impairment losses and provisions for loans and guarantees, net	20.1	**(0.1)**	(100.6%)
Impairment losses and other provisions, net	3.3	**(3.5)**	(207.8%)
Net income before income tax	**15.6**	**59.8**	**284.0%**
Income tax	11.8	**21.1**	78.8%
Earnings of associated companies (equity method)	4.1	**4.4**	7.3%
Income attributable to non-controlling interests	0.0	**0.0**	30.0%
Net Income	**7.9**	**43.1**	**447.4%**

Domestic activity balance sheet

Amounts in M.€

	31 Mar. 16 as reported	31 Dec. 16 as reported	31 Mar. 17 as reported	Chg.% Mar.16/ Mar.17
Assets				
Cash and deposits at central banks	1 071.2	876.6	1 300.2	21.4%
Deposits at other credit institutions	337.9	300.2	272.1	(19.5%)
Loans and advances to credit institutions	826.9	636.5	780.6	(5.6%)
Loans and advances to Customers	22 645.6	22 735.8	22 718.4	0.3%
Financial assets held for trading and at fair value through profit or loss	3 012.7	2 197.9	2 421.4	(19.6%)
Financial assets available for sale	3 695.6	3 876.4	3 816.9	3.3%
Held to maturity investments	21.4	16.3	16.3	(23.9%)
Hedging derivatives	46.8	25.8	21.1	(54.9%)
Investments in associated companies and jointly controlled entities	156.5	130.8	134.3	(14.1%)
Investment properties				
Non-current assets held for sale and discontinued operations				
Other tangible assets	62.5	50.8	47.9	(23.3%)
Intangible assets	23.6	25.6	24.5	4.1%
Tax assets	428.4	471.1	446.8	4.3%
Other assets	582.1	642.7	426.3	(26.8%)
Total assets	**32 911.2**	**31 986.6**	**32 426.9**	**(1.5%)**
Liabilities and shareholders' equity				
Resources of central banks	1 652.8	2 000.0	1 999.5	21.0%
Financial liabilities held for trading	267.5	212.7	208.7	(22.0%)
Resources of other credit institutions	1 963.5	1 724.5	1 834.1	(6.6%)
Resources of Customers and other debts	21 326.2	21 967.7	22 413.5	5.1%
Debts securities	1 010.5	506.8	288.6	(71.4%)
Technical provisions	3 181.0	2 048.8	1 985.2	(37.6%)
Financial liabilities relating to transferred assets	674.5	555.4	525.6	(22.1%)
Hedging derivatives	162.4	97.8	93.0	(42.8%)
Non-current liabilities held for sale and discontinued operations				
Provisions	73.2	70.2	69.3	(5.4%)
Tax liabilities	56.6	10.0	12.6	(77.8%)
Contingent convertible subordinated bonds				
Other subordinated debt and participating bonds	69.5	69.5	369.9	432.1%
Other liabilities	572.7	776.9	587.1	2.5%
Shareholders' equity attributable to the shareholders of BPI	1 899.0	1 944.6	2 038.1	7.3%
Non-controlling interests	1.8	1.8	1.8	(2.7%)
Shareholders' equity	**1 900.8**	**1 946.3**	**2 039.9**	**7.3%**
Total liabilities and shareholders' equity	**32 911.2**	**31 986.6**	**32 426.9**	**(1.5%)**

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.€

	Mar. 16 as reported	Mar. 16 proforma	Mar. 17 as reported
Financial margin (narrow sense)	**73.3**	**0.6**	(0.1)
Gross margin on unit links			
Income from equity instruments			
Net commissions relating to amortised cost			
Financial margin	**73.3**	**0.6**	**(0.1)**
Technical result of insurance contracts			
Net commission income	**13.1**	**(0.1)**	0.3
Net income on financial operations	**55.5**	**(0.0)**	
Net operating income	**(3.8)**	**(0.0)**	(174.9)
Operating income from banking activity	**138.1**	**0.6**	**(174.6)**
Personnel costs	**21.8**	**0.4**	0.4
General administrative costs	**15.9**	**0.2**	0.1
Depreciation and amortisation	**3.2**	**0.0**	0.0
Overhead costs	**40.9**	**0.7**	**0.5**
Operating profit before impairments and provisions	**97.2**	**(0.1)**	**(175.2)**
Recovery of loans, interest and expenses	**0.8**		
Impairment losses and provisions for loans and guarantees, net	**10.5**		
Impairment losses and other provisions, net	**0.9**		
Net income before income tax	**86.6**	**(0.1)**	**(175.2)**
Income tax	**11.7**	**1.6**	42.0
Earnings of associated companies (equity method)	**1.4**	**1.4**	51.7
Net income from continuing operations	**76.3**	**(0.3)**	**(165.4)**
Net income from discontinued operations		**76.6**	
Income attributable to non-controlling interests from continuing operations	**38.4**		
Income attributable to non-controlling interests from discontinued operations		**38.4**	
Net Income	**37.9**	**37.9**	**(165.4)**

Note: The designation "Mar. 16 proforma "reflects the expression of BFA's contribution to consolidated income in accordance with IFRS 5.

International activity balance sheet

Amounts in M.€

	31 Mar. 16 as reported	31 Dec. 16 as reported	31 Mar. 17 as reported
Assets			
Cash and deposits at central banks	1 544.0	0.0	0.0
Deposits at other credit institutions	286.7	0.0	0.0
Loans and advances to credit institutions	864.9	1.1	1.2
Loans and advances to Customers	1 311.4		
Financial assets held for trading and at fair value through profit or loss	830.6		
Financial assets available for sale	2 168.8		
Held to maturity investments			
Hedging derivatives			
Investments in associated companies and jointly controlled entities	55.8	44.8	547.3
Investment properties			
Non-current assets held for sale and discontinued operations		6 924.7	
Other tangible assets	106.3	0.1	0.1
Intangible assets	3.2	0.0	0.0
Tax assets	8.9	0.7	0.7
Other assets	14.1	0.5	0.5
Total assets	**7 194.6**	**6 972.0**	**549.8**
Liabilities and shareholders' equity			
Resources of central banks			
Financial liabilities held for trading	29.3		
Resources of other credit institutions	5.4	0.8	0.8
Resources of Customers and other debts	6 159.1		
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	21.8		
Tax liabilities	47.7	12.0	54.0
Contingent convertible subordinated bonds			
Other subordinated debt and participating bonds			
Other liabilities	110.6	6.8	0.3
Shareholders' equity attributable to the shareholders of BPI	431.8	495.9	494.8
Non-controlling interests	388.9	466.3	
Shareholders' equity	**820.7**	**962.2**	**494.8**
Total liabilities and shareholders' equity	**7 194.6**	**6 972.0**	**549.8**

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 individual income statement

Amounts in M.€

	Mar.16 as reported	Mar.17 as reported	Mar.16 / Mar.17 Chg. M.€	Chg.%
Financial margin	73.3	118.2	44.9	61.2%
Technical result of insurance contracts	0.0	0.0	0.0	0.0%
Net commission income	12.8	19.8	6.9	54.1%
Net income on financial operations	55.5	21.3	(34.2)	-61.6%
Net operating income	(3.8)	(9.2)	(5.4)	-144.1%
Operating income from banking activity	**137.9**	**150.1**	**12.2**	**8.8%**
Personnel costs	21.4	23.6	2.2	10.4%
General administrative costs	15.7	18.0	2.3	14.5%
Depreciation and amortisation	3.2	3.6	0.4	12.6%
Overhead costs	**40.2**	**45.2**	**4.9**	**12.2%**
Operating profit before impairments and provisions	**97.7**	**104.9**	**7.2**	7.4%
Recovery of loans, interest and expenses	0.8	0.2	(0.7)	-80.9%
Impairment losses and provisions, net	11.4	1.4	(10.1)	-88.0%
Net income before income tax	**87.1**	**103.7**	**16.6**	**19.1%**
Income tax	10.0	0.7	(9.4)	-93.3%
BFA non-consolidated net income	**77.0**	**103.0**	**26.0**	**33.8%**
Result attributable to BPI	**38.6**	**49.6**	**11.0**	**28.4%**
Taxes on dividends and other	1.5	5.5	3.9	254.5%
BFA contribution to consolidated net income	**37.0**	**44.1**	**7.0**	**19.0%**

BFA individual balance sheet

Amounts in M.€

	31 Mar.16 as reported	31 Dec. 16 as reported	31 Mar. 17 as reported	Chg.% Mar.16/ Mar.17
Assets				
Cash and deposits at central banks	1 544.0	1 505.9	963.5	(37.6%)
Deposits at other credit institutions	285.4	205.2	321.5	12.6%
Loans and advances to credit institutions	864.2	578.3	610.3	(29.4%)
Loans and advances to Customers	1 311.4	1 269.4	1 221.5	(6.9%)
Financial assets held for trading and at fair value through profit or loss	830.6	1 823.0	1 939.4	133.5%
Financial assets available for sale	2 168.8	1 398.1	1 677.4	(22.7%)
Non-current assets held for sale			0.4	
Other tangible assets	106.1	103.9	103.0	(2.9%)
Intangible assets	3.2	7.1	6.6	109.6%
Tax assets	8.1	9.7	6.7	(16.4%)
Other assets	16.3	25.1	216.7	1228.7%
Total assets	**7 138.1**	**6 925.6**	**7 067.1**	**(1.0%)**
Liabilities and shareholders' equity				
Resources of central banks				
Financial liabilities held for trading	29.3	8.1	6.9	(76.4%)
Resources of other credit institutions	5.1	0.1	24.3	380.7%
Resources of Customers and other debts	6 159.1	5 842.8	5 711.2	(7.3%)
Debts securities				
Provisions	21.8	23.6	25.9	19.1%
Tax liabilities	36.1	23.7	28.3	(21.5%)
Other subordinated debt and participating bonds				
Other liabilities	107.4	92.9	234.0	118.0%
Shareholders' equity	**779.4**	**934.4**	**1 036.3**	**33.0%**
Total liabilities and shareholders' equity	**7 138.1**	**6 925.6**	**7 067.1**	**(1.0%)**

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

	31 Mar. 16 as reported	**31 Mar. 16** proforma	**31 Mar. 17** as reported	**31 Mar. 17, excluding the impact of the sale of 2% of BFA and deconsolidation**
Operating income from banking activity and results of equity accounted subsidiaries / ATA	3.0%	1.7%	0.7%	2.8%
Profit before taxation and income attributable to non-controlling interests / ATA	1.1%	1.0%	-0.7%	1.4%
Profit before taxation and income attributable to non-controlling interests / average shareholders' equity (including non-controlling interests)	15.7%	14.2%	-9.3%	18.3%
Personnel costs / Operating income from banking activity and results of equity accounted subsidiaries [1]	31.3%	44.5%	120.7%	29.1%
Overhead costs / Operating income from banking activity and results of equity accounted subsidiaries [1]	54.2%	75.0%	204.9%	49.3%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	4.0%		3.2%	
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	-0.2%		0.1%	
Credit at risk as % of total loans (gross) [2]	5.0%		4.0%	
Credit at risk[2], net of accumulated loan impairments as % of total loans (net)	0.8%		0.9%	
Restructured loans as % of total loans (gross) [3]	6.8%		6.3%	
Restructured loans not included in credit at risk as % of total loans (gross) [3]	4.8%		4.6%	
Total capital ratio	10.8% [4)]		13.3% [5)]	
Tier I ratio	10.8% [4)]		11.9% [5)]	
Core Tier I ratio	10.8% [4)]		11.9% [5)]	
Loans (net) to deposits ratio	88%		104%	

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 2016.

5) According to CRD IV/CRR phasing in rules for 2017.

ATA = Average total assets.

Note: The designation "Mar. 16 proforma "reflects the expression of BFA's contribution to consolidated income in accordance with IFRS 5.

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 from 3 July 2016.

BPI uses a set of indicators in the analysis of its performance and financial position, which are classified as Alternative Performance Measures, in accordance with the ESMA Guidelines mentioned above.

The information on those indicators has been previously disclosed, as required by the ESMA Guidelines, which is hereby incorporated by reference[1].

1) The information on Alternative Performance Measures (APM) was disclosed in the annex to the consolidated quarterly information for 30 September 2016, published on the 30 November 2016, and in the 2016 Report and Accounts, which are available at CMVM website (www.cmvm.pt) and at BPI Investor Relations website (www.ir.bpi.pt), and in the annex to the base prospectus, dated 17 February 2017, of the 7 billion Euro Medium Term Notes Program (EMTN), which is available at the Luxembourg Stock Exchange website (www.bourse.lu) and at BPI Investor Relations website (www.ir.bpi.pt).