This document is a translation from the Portuguese original "Relatório e Contas Banco BPI 1.º semestre de 2017".
In the event of any inconsistency the Portuguese version shall prevail.

Annual Report

BANCO BPI

1st half 2017

Public held company
Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534
Headquarters: Rua Tenente Valadim, n.º 284, 4100-476 Porto, PORTUGAL
Share Capital: EUR 1 293 063 324.98
Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534

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Index

REPORT	
Leading business indicators	4
Summary of first half 2017 results	5
Financial structure and business	6
Governing bodies	7
Human resources	8
Distribution channels	9
Background to operations	10
Financial review	13
Rating	36
Banco BPI Shares	37
Annex - Recommendations from Bank of Portugal	38
Annex - Alternative Performance Indicators	40
CONSOLIDATED FINANCIAL STATEMENTS AND NOTES	**43**
Consolidated financial statements	44
Notes to the consolidated financial statements	49
Statement	236
Audit report prepared by an auditor registered at the Portuguese Securities Market Commission (CMVM)	237

Leading business indicators

(Figures in millions of euros, except where indicated otherwise)

Results and profitability	1st half 17, excl. non-recurring [1]	1st half 17	1st half 16 pro forma
Net profit	187.8	(101.7)	105.9
Net profit per share (euros)	0,129	(0,070)	0,073
Weighted average number of shares (in millions)	1,455.7	1,455.7	1,450.8
Return on Assets (ROA) (last 12 months)	1.4%	0.5%	1.0%
Return on tangible equity (ROTE)[2] (last 12 months)	16.8%	4.4%	11.6%
Operating income from banking activity	464.8	289.3	365.9
Commercial banking income[3)]	353.8	353.8	356.6
Adjusted overhead costs[4)]	232.3	232.3	253.9
Adjusted overhead costs as % of operating income from banking activity (last 12 months)	65%	65%	71%
Cost of credit risk[5)] (last 12 months)	-0.01%	-0.01%	0.24%

Balance sheet, liquidity, risk management and capital	Jun.17	Dez.16
Net total assets	32,751	38,285
Customer loans (gross)	23,494	23,431
Deposits[6)]	20,069	19,754
Total Customer resources	34,523	32,970
Loan-to-deposits ratio	106%	106%
Liquidity coverage ratio	179%	161%
Credit at risk ratio (IAS/IFRS consolidation perimeter) [7)]	3.6%	3.7%
Coverage of credit at risk by impairments (IAS/IFRS consolidation perimeter) [8)]	83%	83%
Total past services pension liabilities	1,541	1,463
Degree of coverage of pension liabilities [9)]	98%	98%
Shareholder's equity attributable to BPI shareholders	2,561	2,440
CRD IV / CRR phasing in		
Common Equity Tier 1 ratio	11.9%	11.4%
Total capital ratio	13.3%	11.4%
Leverage ratio	6.7%	7.6%
CRD IV / CRR fully implemented		
Common Equity Tier 1 Ratio	10.9%	11.1%
Total capital ratio	12.7%	11.2%
Leverage ratio	6.0%	7.4%
Book value per share (euros)	1,758	1,681
Closing price (euro)	1,052	1,131
Stock market capitalisation at the end of the period	1,533	1,648
Distribution network (no.)[10)]	531	736
BPI Group staff complement (no.) [11)]	5,406	8,157

Note: values as reported. The values are presented in the Management Report are "as reported" values, unless stated expressly as pro forma values.
The "pro forma" designation reflects the restatement of the BFA contribution to consolidated profits in accordance with IFRS 5 (see note to the financial statements "1. Financial group").

1) Non-recurring impacts recorded in the first half of 2017: (i) Impact from sale of 2% of BFA's capital and deconsolidation negative by 212.3 M.€; (ii) Costs from early retirement and voluntary termination programme of 77.2 M.€ after taxes (€106.4 M.€ before taxes).
2) Average equity considered in calculating ROTE is deducted from the average balance of intangible assets (average balance in last 12 months: 26.8 M.€ in Jun.17 and 25.2 M.€ in Jun. 16).
3) Operating income from banking activity = Financial margin (RCL) + Income from equity instruments (RCL) + Net commissions income (RCL) + Earnings of associated companies (equity method) (RCL) excluding contributions from equity interests in African banks.
4) Excluding costs from early retirement and voluntary termination programme and (in 2016 only) gain from revision of ACT (Collective Labour Agreement).
5) (Impairment losses and provisions for loans and guarantees - Recovery of loans, interest and expenses) / Average value of the performing loan portfolio in the period
6) Includes retail bonds valued at 95 M.€ in Dec. 16 and at 56 M.€ in Jun. 17.
7) Calculated according to the definition provided for in Bank of Portugal Instruction 23/2011 and considering the IAS/IFRS consolidation perimeter, whereby BPI Vida e Pensões (Life and Pensions) is subject to full consolidation and its portfolio is included in the consolidated loan portfolio (BPI Vida e Pensões is recognised according to the equity method within the scope of Bank of Portugal supervision). Pursuant to Instruction 23/2011 and considering the supervision perimeter, consolidated credit at risk is 838.8 M.€ on 30 June 2017 and the consolidated ratio of credit at risk is 3.8%.
8) Coverage by impairment losses and provisions for loans and guarantees accumulated in the balance sheet and without considering coverage by collaterals associated with these credits.
9) Includes contribution of 75.5 M.€ transferred to pension funds in January 2017.
10) In Dec. 16 includes 191 units related to BFA. In Jun. 17 does not include the BFA distribution network (BFA was recognised by the equity method starting in Jan. 2017).
11) Staff (excludes temporary labour) of subsidiaries consolidated by full consolidation. In Dec. 16 includes BFA staff (2,632 employees).

Summary of first half 2017 results

In the first half of 2017, Banco BPI recorded a consolidated net income, excluding non-recurring impacts, of 188 M.€, a 77% increase from the 106 M.€ recorded during the same period of 2016. Recurring return on tangible equity (recurring ROTE) was 16.8% in the last 12 months (11.4% when excluding the contribution from holdings in African banks).

"As reported" the consolidated net income was negative by 102 M.€ in the first half of 2017, as it was affected by non-recurring negative impacts totalling 290 M.€ (after taxes): 212 M.€ with the sale and deconsolidation of BFA and 77 M.€ with the early retirement and voluntary termination programme.

During the six-month period Banco BPI achieved good commercial results, illustrated by the increase of 1.6 th.M.€ (+4.7%) ytd of customer resources, with growth of 0.3 th.M.€ in deposits and 1.0 th.M.€ in mutual funds, a 3.6% increase in the portfolio of loans to companies in Portugal[1] and stabilisation of the mortgage loan portfolio, all of which yielded market share gains (leadership in asset management with 30% share, +2.5% ytd, and ytd increases in market share for loans to companies of +20 bp and in housing loans of +10 bp). The total customer loan portfolio increased 0.3% ytd.

The financial margin fell slightly (yoy and qoq) and net commissions income rose 4.8% yoy. Commercial banking income – an aggregate that includes financial margin, net commissions income and contribution from holdings[2], excluding those in African banks, decreased 0.8% yoy.

BPI maintained a path of gradual improvement in operational efficiency levels as a result of the ongoing effort to rationalise and contain costs. Overhead costs excluding non-recurring[3] decreased 8.5% (yoy).

Note: Year-on-year changes calculated in relation to June 2016 pro forma.
1) Does not include loan portfolios of Project Finance and Madrid Branch.
2) Income from equity instruments and earnings of associated companies (equity method).

During the first half of 2017, BPI completed an early retirement and voluntary termination programme that was announced in April 2017. A total of 617 employees agreed to leave BPI, representing 11% of initial staff. The exit of such employees represented a total cost of 106.4 M.€, which was fully recognised in results for the six-month period and will generate annual cost savings of 36 M.€ starting in 2019.

Impairments losses and provisions for loans and guarantees decreased from 35.8 M.€ during the first half of 2016 (0.32% of loan portfolio[4]) to 16.6 M.€ during the first half of 2017 (0.15% of loan portfolio[4]). The cost of credit risk – impairments net of recoveries – decreased from 28.6 M.€ (0.25%[4]) to 7.5 M.€ (0.07%[4]) in the same period.

The ratio of credit at risk was 3.6% at the end of June 2017 and impairments coverage was 83% without considering associated collateral, and 149% considering impairments and collaterals associated with these credit operations.

BPI has a balanced funding structure and a strong liquidity position. Customer resources on the balance sheet represented 73% of assets, the loan-to-deposits ratio was 106% and the Liquidity Coverage Ratio (LCR) was 179%.

At 30 June 2017, the CET1 ratio fully loaded was 10.9% and the total capital ratio was 12.7%.

At the same date, the phasing-in capital CET1 ratio (2017 rules) was 11.9% and the total capital ratio was 13.3%.

3) Costs from early retirement and voluntary termination programme.
4) On an annualised basis.

Financial structure and business

The BPI Group – headed by Banco BPI – is a financial group centred on retail banking businesses in Portugal.

Banco BPI is the fifth largest financial institution operating in Portugal in terms of assets (33 th.M.€), with 9.2% market share in loans and 10.7% in customer resources[1)]. In Portugal, BPI serves around 2 million customers through a specialised, multi-channel and fully integrated distribution network.

The Commercial Banking business is organised around two main segments: (i) Consumer Retail, Corporate and Business Banking and (ii) Corporate Banking, Project Finance and Institutional Banking, which are served through physical and virtual structures and dedicated teams. Through its distribution network, Banco BPI offers its customers investment funds, capitalisation insurance and pension funds managed by Group subsidiaries. The Bank also offers non-life and life insurance through an Allianz Portugal insurance distribution agreement under which the BPI Group holds a 35% stake. In credit insurance, the BPI Group holds a 50% interest in COSEC.

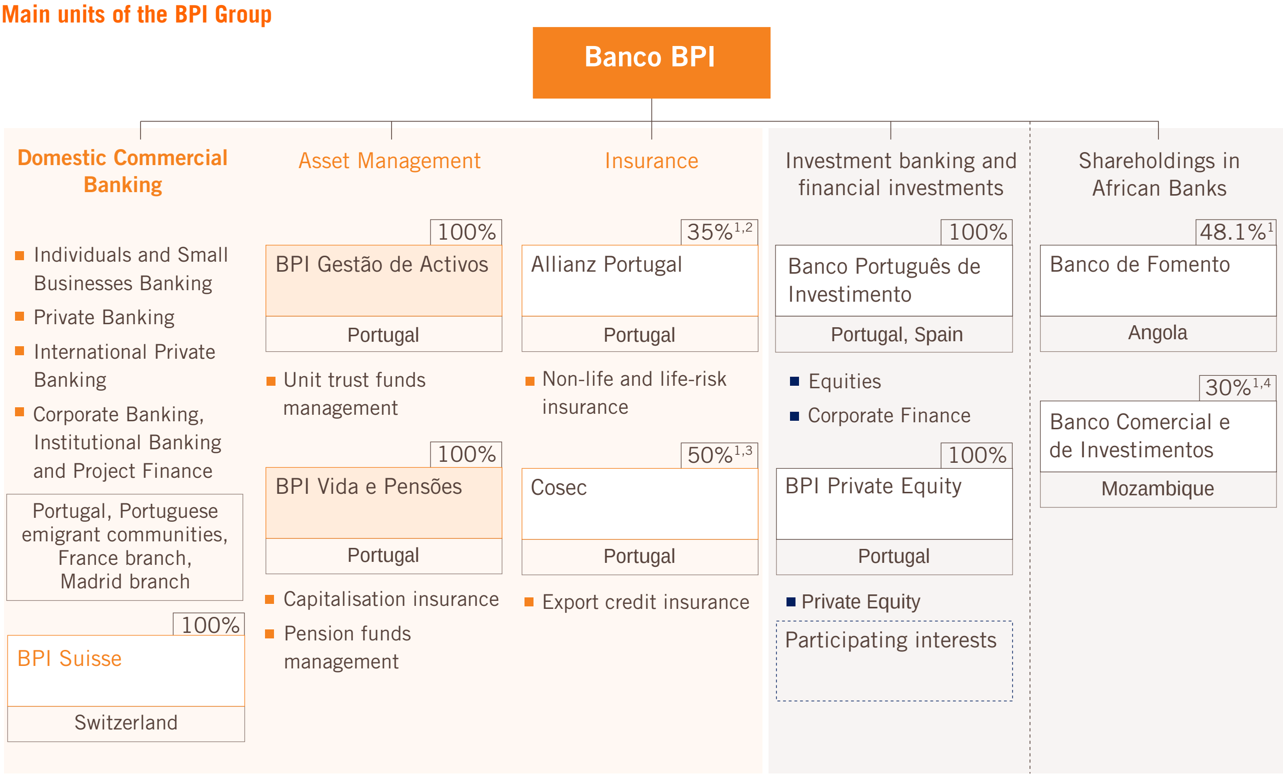
The BPI Group is also active in the investment and private equity banking business and holds equity interests in African banks (BFA in Angola and BCI in Mozambique).

Leading indicators

Amounts in M.€

	Jun.17
Total assets	32 751
Shareholders' equity attributable to BPI shareholders	2 561
Gross customer loans	23 494
Total Customers resources	34 523
No. of Customers (th.)	1 949
No. of Employees	5 406
Distribution network (no.)	528

Main units of the BPI Group



1) At May 2017.
2) Equity-accounted subsiudiaries.
3) In association with Allianz, which holds 65% of the capital
4) In association with Euler Hermes, a company of Allianz Group.
5) In partnership with Caixa Geral de Depósitos (51%) and a group of Mozambican investors, which together, hold 19% of the share capital

Governing bodies

Comissão de Remunerações

Chairman
José Villalonga Pons
Members
Xavier Coll Escursell
Carlos Moreira da Silva
Alternates
Armand Reixach de Linares
Abel Suárez Busquets

Comissão de Nomeações, Avaliação e Remunerações

Chairman
Tomás Jervell
Vogal
Lluís Vendrell Pí
Juan Antonio Alcaraz

Comissão de Riscos

Chairman
Javier Pano
Members
Cristina Rios Amorim
Carla Bambulo

Comissão de Responsabilidade Social

Chairman
Artur Santos Silva
Members
António Barreto
Isabel Jonet
José Pena do Amaral
Rafael Chueca

Mesa da Assembleia Geral

Chairman
Carlos Osório de Castro
Deputy-Chairman
Agostinho Cardoso Guedes
Secretários
Alexandra Magalhães
Luís Manuel Amorim

Conselho de Administração[1]

Chairman
Fernando Ulrich
Deputy-Chairman
Pablo Forero Calderon
António Lobo Xavier
Members
Alexandre Lucena e Vale
António Farinha Morais
Carla Bambulo
Cristina Rios Amorim
Francisco Barbeira
Gonzalo Gortázar Rotaeche
Ignacio Alvarez-Rendueles
Javier Pano
João Pedro Oliveira e Costa
José Pena do Amaral
Juan Antonio Alcaraz
Juan Ramon Fuertes[2]
Lluís Vendrell Pí
Pedro Barreto
Tomás Jervell
Vicente Tardio Barutel

Chairman honorário
Artur Santos Silva

Comissão Executiva do Conselho de Administração

Chairman
Pablo Forero Calderon
Members
José Pena do Amaral
Pedro Barreto
João Pedro Oliveira e Costa
Alexandre Lucena e Vale
António Farinha Morais
Francisco Barbeira
Ignacio Alvarez-Rendueles
Juan Ramon Fuertes[2]

Conselho Fiscal

Chairman
Abel António Pinto dos Reis
Members
Jorge de Figueiredo Dias
Rui Campos Guimarães
Alternates
Francisco Javier Olazabal
Luis Roque de Pinho Patrício

Revisor Oficial de Contas (até 31.12.2017)

Efective
Deloitte & Associados, SROC, S.A.[3]
Alternate
Carlos Luís Oliveira de Melo Loureiro

Revisor Oficial de Contas (de 01.01.2018 a 31.12.2020)

Efective
PricewatercooperhouseCoopers & Associados SROC, Lda.[4]
Alternate
Ana Maria Ávila de Oliveira Lopes Bertrão

Comissão de Auditoria e Controlo Interno

Chairman
António Lobo Xavier
Members
Lluis Vendrell Pí
Vicente Tardio Barutel
Alfredo Rezende de Almeida

Secretário da Sociedade

Efective
João Avides Moreira
Alternate
Miguel Pessanha Moreira

1) Elected at the General Meeting of Shareholders on 26 April 2017. They began performing their duties on 21 July 2017, the date of the ECB (European Central Bank) decision authorising the performance of such duties.
2) Presented resignation from the office on 4 September 2017.
3) Deloitte & Associados, SROC, S.A. nominated Paulo Alexandre Rosa Pereira Antunes to represent it in the exercise of this position.
4) PricewaterhouseCoopers & Associados SROC, Lda. nominated Aurélio Adriano Rangel Amado to represent it in the exercise of this position.

Human resources

Evolution of Staff

As of 30 June 2017, the BPI Group had 5 406 employees, 5 309 of whom worked in Portugal and 97 abroad.

During the first half of 2017, the number of employees in the domestic activity fell 59 (-1.1%) to 5,309. Over a one-and-a-half-year span (since Dec. 15), the number of employees decreased by 407 (-7.1%).

BPI completed an early retirement and voluntary termination programme in the first half of 2017 under which 519 employees agreed to leave the group (292 by early retirement and 227 by voluntary terminations), in addition to 98 additional employees to whom the same conditions of the programme were applied. As such, a total of 617 employees agreed to end their employment with the BPI Group.

Of the total number of employees (617) who agreed to end their employment with the BPI Group, 86 of such exits occurred in the first half of 2017[1]. The remaining 531 (9.8% of total staff as of June 2017) will take place during the second half of 2017 (458) and in 2018 (73).

BPI Group Employees

		End of period figures				Average figures	
		Jun.17	Dec.16	Dec.15	Δ% Jun.17/ Dec.16	1st half. 17	2016
Domestic activity							
Banco BPI	1	5 189	5 249	5 598	(1.1%)	5 230	5 503
Banco Português de Investimento (BPI)	2	50	48	52	4.2%	49	51
Other subsidiary companies	3	70	71	66	(1.4%)	71	68
Domestic activity [1] [= Σ1 to 3]	4	5 309	5 368	5 716	(1.1%)	5 350	5 622
Overseas branches and representative offices	5	97	157	203	(38.2%)	125	182
Banco de Fomento Angola	6	-	2 632	2 610	(100.0%)	-	2 621
Total [1] **[= Σ4 to 6]**	7	**5 406**	**8 157**	**8 529**	**(33.7%)**	**5 475**	**8 425**

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI. At 30 June 2017, the number of Employees with fixed-term contracts in Portugal stood at 25 and in overseas operations was situated at 3. In average terms, in the first half 2017, the number of Employees with fixed-term contracts in Portugal reached 24 and in overseas operations amounted to 3.

On 5 January 2017, BPI sold its 2% stake in BFA to Unitel, after which Banco BPI and Unitel held 48.1% and 51.9%, respectively, of BFA's capital.

After the cited sale of 2% of capital and corresponding governance changes, BPI no longer exercised control over BFA, and, as of such date, the BFA stake began to be recognised according to the equity method and BFA staff (2 632 employees in Jun.2017) were no longer included in BPI Group staff.

1) Some 33 additional employees ended their employment with the BPI Group, such that the total staff declined by 119 during that six-month period (excluding BFA) to 5 406 employees at the end of June 2017.

Distribution channels

Banco BPI serves about 2 million customers - individuals, companies and institutional - in Portugal through a specialised, multi-channel and fully integrated distribution network composed of 438 retail branches, 39 investment centres, specialised branches and structures dedicated to the corporate segment (46 centres) and institutional clients (six centres), homebanking service (BPI Net) and telephone banking (BPI Direct).

BPI also has 20 000 commercial partners, four representative offices abroad (Caracas, Geneva, Johannesburg and Newark), two branches in France and a branch in Madrid.

Main distribution network indicators

	30 Jun.17
Traditional branches	438
Paris branch (no. branches)	2
Investment centres	39
Corporate centres	52
Automated banking (ATM)	1,352
Automatic payment terminals (POS)	30,527
Commercial partners	20,505
Internet banking (active users):	
BPI Net	800,126
BPI Net Empresas (Corporate Internet Banking)	116,795
Telephone banking (active users):	
BPI Directo (BPI Direct)	437,713

Background to operations

GLOBAL AND EUROPEAN ECONOMY

In July, IMF maintained its forecast for world economic growth at 3.5% for 2017 and 3.6% for 2018. Advanced economies are expected to grow 2.0% this year and 1.9% in 2018, and emerging and developing economies are expected to expand by 4.6% in 2017 and 4.8% in 2018. It should be mentioned that the institution revised its projections for some of the world economy's most important countries. Noteworthy is the downward revision of the US GDP growth rate for 2017 and 2018 by 0.2% and 0.4%, respectively, with a growth rate of 2.1% now expected for both years. Weak performance in the first quarter of the year, and, more significantly, the expectation of a less expansionary fiscal policy than initially expected, contributed to this trend. The IMF also reduced its forecast for this year's growth in the United Kingdom from 2.0% to 1.7% due to weak growth in the first quarter.

Conversely, the expansion of economic activity in the euro area may be more significant than levels forecast by the IMF in April: 0.2% higher to 1.9% in 2017 and 0.1% higher to 1.7% in 2018. Upward revisions were applied to the region's four main economies in both 2017 and 2018, particularly in Spain and Italy. The positive surprise about growth in the first quarter of 2017 and the release of solid macroeconomic indicators suggest that the euro area may grow at a faster pace than initially expected.

PORTUGUESE ECONOMY

According to information from the National Institute of Statistics (INE), the pace of economic growth accelerated to 2.8% in the first half of 2017 as compared to the same period last year. The acceleration of exports of goods and services, particularly tourism services, the resumption of investment and the sustained pace of expansion of private consumption primarily drove this trend. External and internal factors alike contribute to the current scenario. Worthy of mention are the good performance of external economies (particularly the euro zone and Spain); the stabilisation of oil prices at relatively low levels; the favourable external financial environment, particularly interest rates in major markets at minimal historical levels and a low level or risk aversion; internal factors include the return of political stability and a more balanced fiscal policy. Favourable activity in the labour market serves as important support for household consumption. According to the INE, the unemployment rate in 2Q17 was 8.8%, the lowest since 1H09. The employed population has been increasing at a significant rate of 3.3% y/y in the 1st half of 2017; however, the number of employees remains below that recorded prior to the international financial crisis. The tourism sector has become one of the main drivers of acceleration in activity, leading to contagion effects in other sectors such as real estate and construction. In this context, the following results should be mentioned: the balance of trade surplus from tourism services was 4.8% of GDP in May (one-year moving average), compared to 4.3% in the same period last year. the hotel industry registered 9.3 million guests during the first half of 2017, a 9.7% y/y increase; the unemployment rate in the Algarve region stood at 7.6% in the second quarter of 2017 versus 8.8% nationally; in the first quarter of 2017, the housing price index increased by 7.9% over the same period last year, with approximately 19% more housing transactions.

The economy's financing capacity, which is a combined balance of current and capital accounts balances, stood at 1.5% of GDP in the year ended in the first quarter of 2017, 0.1% above the previous quarter. These developments reflect a trend distinct from institutional residential sectors. Improvements have taken place in the government sector, whose financing needs fell to 1.7% of GDP, and in the non-financial corporate sector, whose financing capacity increased to 0.6% of GDP. Household financing capacity fell to 0.5% of GDP in the first quarter of 2017, reflecting the change in the savings rate to 3.8% as a result of higher growth in final consumption expenditures as compared to income (1.0% and 0.5%, respectively).

Taking into account quarterly values, the government balance stood at around -965.6 M.€ euros in the first quarter of 2017, corresponding to -2.1% of GDP (-3.3% in the same period of the previous year). It should be noted that such government balance in the first quarter of 2017 does not include any impact from the recapitalisation of Caixa Geral de Depósitos.

According to the Bank of Portugal, the public debt ratio stood at 130.5% of GDP in the first quarter of 2017, 1.6% higher than the same period of last year, resulting from an increase in medium- and long-term debt to take advantage of more favourable financing conditions and from expansion of the range of debt eligible for participation in the European Central Bank programme involving the purchase of public debt. The exclusion of central government deposits reduces the ratio to 121.4% of GDP, 0.5% above the level observed in the first quarter of 2016.

Until August 2017, the Treasury issued 12.9 th.M.€ of medium- and long-term debt, including the issuance of 2.2 th.M.€ of FRGB. The average maturity of issues during the period was 8.4 years and the cost of debt issued was 3.0%, 0.5% above 2016. The State has already repaid 16.5 th.M.€ of loans granted by the IMF, reducing the outstanding balance to approximately 10 th.M.€.

The private sector has maintained the deleveraging process. According to the Bank of Portugal, private sector debt represented 142.2% of GDP in the first quarter of 2017 (171.1% at the end of 2012); among individuals, the same ratio was 76.1%, 19.7% less than in September 2009.

Scenario for 2017

Under Article IV, the IMF revised its projections upwards for Portugal in 2017 and 2018 by 0.8% and 0.5%, respectively, to 2.5% and 2%. According to the IMF, activity accelerates in 2017, supported by strong growth in tourism sectors and renewed dynamics generated in the construction sector.

The IMF says that Portugal also has made significant progress in reducing short-term risks. Budgetary performance in 2016 enabled a conclusion of the Excessive Deficit Procedure and the 2017 fiscal deficit target is also likely to be achieved. Notable progress has occurred in the banking system, but the reduction of non-performing loans and indebtedness of non-financial firms remain as important medium-term challenges. Progress in these areas would support recovery of investment, essential to ensuring stronger growth in the medium term. More sustained growth and an ongoing reduction of public debt have reduced weaknesses arising from high indebtedness and would allow a smoother transition to a less accommodative phase in monetary policy. The government expects to reduce the public deficit to 1.5%, which is a credible target based on the evolution of public accounts in the first half of 2017 and the upward revision of the growth outlook for the year as a whole.

The second phase of the Caixa Geral de Depósitos recapitalisation plan was completed in March 2017 with public financing of 2.5 th.M.€. The first phase (1.4 th.M.€), included the conversion of contingent convertible bonds (CoCos) into capital. In turn, the sale of Novo Banco is almost complete.

Financial system

In 2016, the deleveraging process in the Portuguese financial sector continued, with the loans-to-deposit ratio declining to 94.3% in March 2017 (peaking at 158.8% in June 2010) This performance mirrors the fact that the granting of credit remains in a contractionary trend, while deposits have grown moderately. Solvency ratios have improved in the first quarter of 2017: the CET1 ratio was 12.6% and the total solvency ratio stood at 13.9%, up 1.2% and 1.6%, respectively, from the end of 2016. The total ratio of credit at risk improved to 11.8% at the end of 2016 (0.2% below 2015) and the NPL (non-performing loan) ratio stood at 16.7% (-0.5% below 4Q16).

Funding from the ECB increased to 23.5 B.€, up 5% from the beginning of the year but lower than the 38% increase in the Eurosystem as a whole. Long-term financing operations represent 95% of Portuguese banks' use of the Eurosystem.

Loans

In June 2017, loans granted to residents fell by 4.5% y/y, with such reduction extending across all sectors. Loans to non-financial firms and individuals fell by 6.6% and 2.5%, respectively. For the year as a whole, the contractionary scenario is expected to continue, but the decline may be more moderate in light of the rebound in new loans transactions to purchase homes and for consumer purposes.

Financial markets

The persistence of accommodative financial conditions, the cautious management of expectations by monetary authorities and the signs of strengthening of economic activity, especially in the euro area, have been the main factors determining the behaviour of primary prices.

In the foreign exchange market, the euro has appreciated in 2017, with the EUR/USD exchange rate at 1.18 in mid-August, up from 1.03 at the start of the year. Likewise, the euro has appreciated against the pound sterling, with the rate of exchange to the latter currency rising to 0.92 in mid-August from 0.85 at the start of the year. The Brexit issue has played an important role in this context by virtue of eroding the value of the British currency,

In the interbank money market, Euribor rates remain at historical lows in view of the expectation that the ECB will not alter the main refinancing rate before 2019. The levels recorded in mid-August were as follows: -0.329%, -0.271% and -0.158% for terms of three, six and 12 months, respectively. In the United States, the fed funds rate went from an average target rate of 0.625% to the current average of 1.125%, accompanied by an increase in the three- and six-month USD Libor rate to the highest levels since 2009, 1.315% and 1.456%, respectively.

In the public debt market, yields of the main benchmarks continue to show resistance to an increase, reflecting ultra-accommodative monetary in the euro zone, and some uncertainty in the US concerning the economy. The 10-year treasury yield stood at 2.18% in mid-August, below the level at the beginning of the year and the 2.58% peak in March, and the 10-year Bund yield was around 0.40% in August, down from the July high of 0.6% but considerably above the level observed at the beginning of the year: 0.18%.

In euro area peripheral debt markets, the risk premium narrowed for countries deemed most vulnerable, reflecting greater optimism regarding the evolution of economic activity and the disappearance of risk factors related to the European electoral calendar. Italian debt did not follow this more benign sovereign risk assessment, reflecting concerns about the soundness of some of the country's major banks. In contrast, Portuguese debt benefited the most from this more favourable risk assessment. In this case, in addition to the better-than-expected economic performance, Fitch also revised its ratings outlook for the country from stable to positive, suggesting that Portugal's risk rating could be revised upwards with the country's return to investment grade status. In mid-August, the 10-year yield was 2.77%, with the benchmark (Bund) spread at around 235 basis points, compared to 3.69% and 350 basis points, respectively, at the beginning of 2017.

Financial review

Consolidated results

In the first half of 2017, BPI recorded a consolidated net loss of 101.7 M.€ due to negative non-recurring impacts of 289.5 M.€ for the six-month period.

Non-recurring impacts on consolidated results for the aforementioned six-month period corresponded to:

- costs with early retirements and voluntary terminations of 77.2 M.€ (106.4 M.€ before taxes);
- negative impact of 212.3 M.€ from sale of the 2% stake in BFA at the beginning of January and deconsolidation.

Excluding those one-time impacts, consolidated Net income is 187.8 M.€, which corresponds to a 77% increase (+81.9 M.€) from the consolidated net income of 105.9 M.€ recorded during the same six-month period in 2016.

The increase in consolidated net income is above all attributable to the substantial improvement in recurring Net income from the domestic activity of +62 M.€, reaching 88.6 M.€.

The contribution from equity interests in African banks (48.1% of the capital of BFA and 30% of the capital of BCI) was 100.6 M.€ in the first half of 2017, excluding the non-recurring impact (18.2 M.€ compared to the same period in 2016).

Consolidated return on tangible equity

Consolidated return on tangible equity (consolidated ROTE), excluding non-recurring impacts, increased to 16.8% during the 12-month period ended June 2017.

Recurring ROTE, excluding the contribution from interests in African banks stood at 11.4% (last 12 months).

Return on tangible equity (ROTE)

ROTE for the 12 months ended Jun. 17 and Jun. 16 — Amounts in M.€

	Jun. 17 excl. non-recurring	**Jun. 17** as reported	**Jun.16** as reported
ROTE			
Adjusted capital allocated (M.€) [1]	2 407	2 407	2 289
ROTE	**16.8%**	**4.4%**	**11.6%**
ROTE excl. contribution from equity interests in African banks			
Adjusted capital allocated (M.€) [1)]	1 936	1 936	1 846
ROTE excl. contribution from equity interests in African banks	11.4%	6.9%	6.0%

1) The average equity considered in calculation of ROTE is deducted from the average balance of intangible assets (average balance in last 12 months: 26.8 M.€ in Jun.17 and 25.2 M.€ in Jun. 16).

Consolidated income statement

Recurring consolidated net income increased 81.9 M.€ compared to the same period of the previous year to 187.8 M.€. The following essentially contributed to this progress:

- the ongoing effort of cost rationalisation and control, respectively, which has resulted in a reduction of 8.5% (-21.6 M.€) of recurring costs from the same period in the previous year. This reduction mainly reflects the savings obtained from measures implemented in 2016 and still does not reflect the positive impact from the exit of personnel agreed upon during the first half of 2017 and which will be implemented primarily in the second half;
- the reduction of total impairment losses net of recoveries from 62.5 M.€ in the first half of 2016 to 4.5 M.€ in the first half of 2017, which accompanied an improvement in most BPI loan quality indicators. The cost of credit risk[1] totalled 7.5 M.€ in the first half of 2017 and represented 0.07% of the loan portfolio in annualised terms.
- the increase in BFA's contribution to net income from 79.1 M.€ to 96.0 M.€ (after taxes), excluding the impact from the sale of the 2% stake in BFA and deconsolidation. The positive evolution of BFA's results reflects a high level of resilience to a very demanding economic environment in Angola, whose economy was strongly affected by the drop in oil prices in international markets.

Note of reclassification of items

Certain items income and expenses were reclassified in the Management Report, repositioned in the structure of the income statement according to the format adopted by CaixaBank (BPI consolidating entity). The underlying accounting criteria were not affected by the different form of presentation adopted.

In the "Alternative Performance Indicators" section (page 40), there is a reconciliation of items on the income statement that are reclassified according to the format adopted by CaixaBank with the structure of the income statement presented on page 45.

The presentation of resources and credit also was amended with the same objective of more closely approximating the formats adopted by CaixaBank; the segmentation criteria have not yet been changed.

All occurrences of the aforementioned nature are indicated throughout the Management Report and where appropriate.

1) Impairment losses and provisions for loans and guarantees net of recoveries of loans, interest and expenses.

Consolidated income statement

Amounts in M.€

Items reclassified (RCL) according to format adopted by CaixaBank (BPI consolidating entity). The underlying accounting criteria were not affected by the different form of presentation adopted.

		1st Half 17			1H16
		As reported	Non-recurring	Recurring	pro forma2
Financial margin (narrow sense)	1	182.3		182.3	178.9
Technical result from insurance contracts	2	7.4		7.4	13.5
Net commission relating to amortised cost	3	10.3		10.3	10.6
Financial margin (RCL) [= ∑ 1 to 3]	**4**	**200.1**		**200.1**	**203.0**
Income from equity instruments (RCL)	5	6.4		6.4	3.9
Net commission income (RCL)	6	138.3		138.3	132.0
Earnings of associated companies (equity method) (RCL)	7	120.7		120.7	21.4
Net income on financial operations	8	14.7		14.7	25.2
Operating income and expenses	9	(191.0)	(175.5)	(15.5)	(19.6)
Operating income from banking activity (RCL) [= ∑ 4 to 9]	**10**	**289.3**	**(175.5)**	**464.8**	**365.9**
Personnel costs	11	(242.0)	(106.4)	(135.6)	(152.3)
General administrative costs	12	(85.7)		(85.7)	(93.7)
Depreciation and amortisation	13	(11.0)		(11.0)	(10.8)
Overhead costs [= ∑ 11 to 13]	**14**	**(338.7)**	**(106.4)**	**(232.3)**	**(256.8)**
Net operating income before impairments and provisions [= 10 + 14]	**15**	**(49.4)**	**(281.9)**	**232.5**	**109.1**
Recovery of loans, interest and expenses	16	9.1		9.1	7.2
Impairment losses and provisions for loans and guarantees, net	17	(16.6)		(16.6)	(35.8)
Impairment losses and other provisions, net	18	3.0		3.0	(33.9)
Net income before income tax [= ∑ 15 to 18]	**19**	**(54.0)**	**(281.9)**	**227.9**	**46.6**
Income tax	20	(47.7)	(7.6)	(40.1)	(22.5)
Net income from continuing operations [= 19 + 20]	**21**	**(101.7)**	**(289.5)**	**187.8**	**24.1**
Net income from discontinued operations	22				163.9
Income attributable to non-controlling interests from continuing operations	23	(0.0)		(0.0)	(0.0)
Income attributable to non-controlling interests from discontinued operations	24				(82.0)
Net income [= ∑ 21 to 24]	**25**	**(101.7)**	**(289.5)**	**187.8**	**105.9**

Note:
The consolidated figures for the first half of 2017 for most of the income and expense items as well as for assets and liabilities essentially reflect BPI's domestic activity because the equity interests in African banks (48.1% and 30%, respectively, in the capital of BFA and BCI) are accounted by equity method.

1) Non-recurring impacts recorded in the first half of 2017 correspond to:
- Negative impact of 212.3 M.€ from sale of the 2% stake in BFA and deconsolidation (175.5 M.€ recorded in Operating income and expenses and 36.8 M.€ in income tax).
- Costs from early retirements and voluntary terminations of 106.4 M.€ after taxes (recorded under Personnel Costs, 10.7 M.€ in the first quarter and 95.6 M.€ in the second quarter) and 77.2 M.€ after taxes.

2) The designation "1st half 2016 pro forma" reflects the restatement of the BFA contribution to consolidated profit or loss according to IFRS Standard 5 (See note to the financial statements "1. Financial group").

Pro forma values

The values presented in the Management Report are "as reported" values, unless stated expressly as pro forma values.

The "pro forma" designation reflects the restatement of the BFA's contribution to consolidated profit or loss in accordance with IFRS 5 (see note to the financial statements "1. Financial group").

ACCOUNTING FOR SALE OF THE 2% STAKE IN BFA AND DECONSOLIDATION

In January 2017, BPI's sale to Unitel of a 2% stake in BFA was consummated in order to resolve the situation in which the large exposures limit of Banco BPI was exceeded, resulting from BFA's exposure to Angolan public debt. Following this transaction, Banco BPI and Unitel held 48.1% and 51.9%, respectively, of BFA's capital.

The sale of the 2% stake in BFA and the effects from loss of control, as explained in the note to the financial statements "4.9 Discontinued operations", were recognised in the financial statements of the first quarter of 2017. Accordingly, the financial statements of the first quarter of 2017 reflect:

- the gain on the sale of the 2% stake in BFA, corresponding to 6.6 M.€ after taxes;
- the deconsolidation of the interest in BFA, which was recognised under the equity method;

Additionally, according to international accounting standards, the change in the method for consolidation (deconsolidation) of BFA had the following consequences:

- The transfer, between equity captions, of accumulated negative foreign exchange reserves of 182.1 M.€ to results for the financial year, with the resulting negative impact on consolidated profit of 182.1 M.€, but without any impact on equity, to the extent that this item was already deducted from such reserves. The cited reserves reflected adverse changes recorded in the conversion of BFA financial statements from kwanzas to euros, and which were recorded directly under equity, in the foreign exchange reserve.
- The increase in the provision for deferred tax liabilities of 36.8 M.€ associated with the potential gain in the 48.1% interest in BFA maintained by BPI.

In summary, the impact from sale of the 2% stake in BFA on consolidated net assets was -30.2 M.€ (gain of 6.6 M.€ and deferred tax liabilities of -36.8 M.€).

The impact on consolidated net income was -212.3 M.€, in addition to the aforementioned 30.2 M.€, a transfer of 182.1 M.€ from negative foreign currency reserves to profit or loss for the financial year.

It should be stated that the cited transfer of 182.1 M.€ in negative foreign exchange reserves to results for the financial year recorded at the time of change in the consolidation (deconsolidation) method constitutes a change of accounting treatment corresponding to a situation that was already recognised and recorded in the financial statements of BPI, which is reflected by the fact that BPI's equity is not allocated in the first quarter of 2017.

Impact on net income and equity attributable to BPI shareholders from recording of sale of the 2% BFA stake and loss of control

Amounts in M.€

		Impact on net income	Impact on equity attributable to BPI shareholders
Gain on sale of 2% stake			
Value of sale of the 2% BFA stake	1	28.0	28.0
(-) Value of BFA equity corresponding to the equity interest	2	(18.7)	(18.7)
Pre-tax capital gain [= 1 + 2]	3	9.3	9.3
(-) Capital gains taxes	4	(2.7)	(2.7)
Capital gain on sale of 2% stake (after taxes) [= 3 + 4]	**5**	**6.6**	**6.6**
Deferred taxes on the potential value in the 48.1% interest in BFA retained by BPI	6	(36.8)	(36.8)
Recognition in the income statement of (cumulative) foreign exchange differences arising from conversion to euros of the 50.1% BFA stake	7	(182.1)	-
Total impact [=5 + 6 + 7]	**8**	**(212.3)**	**(30.2)**

Regarding the quarterly evolution of recurring net income, the 7.7 M.€ decline in Net income in the second quarter of 2017 (90.0 M.€) from the first quarter (97.7 M.€) is explained by:

- one-time accounting in the second quarter from annual contributions to the national and European resolution funds (15.2 M.€) and, with a positive impact, dividends from holdings (6.3 M.€);
- growth in net commissions income (+6.1 M.€) and in earnings of associated companies (equity method) (+8.4 M.€), while the financial margin declines by 3.2 M.€, affected by interest cost (4 M.€) from Tier II sovereign debt issued at the end of March;
- Overhead costs increased 4.3 M.€ (+3.8%) compared to the first quarter;
- impairment losses and provisions for loans and guarantees of 16.7 M.€ were recorded in the second quarter of 2017, aimed essentially at strengthening coverage for situations previously subject to individual impairment. In turn, 2.9 M.€ of loans, interests and expenses were recovered, and therefore the cost of credit risk[1] was 13.8 M.€. As a percentage of the loan portfolio, the cost of credit risk was 0.24% in the second quarter of 2017 in annualised terms.

Consolidated quarterly income statement

Amounts in M.€

Items reclassified (RCL) according to format adopted by CaixaBank (BPI consolidating entity). The underlying accounting criteria were not affected.

		Recurring		As reported		4Q16	3Q16 pro forma[2]	2Q16 pro forma[2)]	1Q16 pro forma[2)]
		2Q17	1Q17	2Q17	1Q17				
Financial margin (narrow sense)	1	90.1	92.3	90.1	92.3	94.2	91.1	92.8	86.1
Technical result from insurance contracts	2	3.8	3.6	3.8	3.6	5.7	5.4	5.6	7.9
Net commission relating to amortised cost	3	4.6	5.8	4.6	5.8	5.4	5.3	5.1	5.4
Financial margin (RCL) [= ∑ 1 to 3]	**4**	**98.5**	**101.6**	**98.5**	**101.6**	**105.3**	**101.8**	**103.6**	**99.4**
Income from equity instruments (RCL)	5	6.3	0.1	6.3	0.1	4.6	0.0	3.9	0.0
Net commission income (RCL)	6	72.2	66.1	72.2	66.1	74.5	66.3	67.4	64.6
Earnings of associated companies (equity method) (RCL)	7	64.6	56.1	64.6	56.1	0.8	4.0	15.8	5.6
Net income on financial operations	8	7.1	7.7	7.1	7.7	17.7	6.1	28.7	(3.6)
Operating income and expenses	9	(15.0)	-0,462	(15.0)	(176.0)	(3.2)	(1.0)	(18.3)	(1.2)
Operating income from banking activity (RCL) [=∑4 to 9]	**10**	**233.6**	**231.2**	**233.6**	**55.6**	**199.6**	**177.3**	**201.1**	**164.8**
Personnel costs	11	(68.4)	(67.2)	(164.1)	(77.9)	(79.8)	(76.0)	(78.3)	(74.0)
General administrative costs	12	(44.3)	(41.4)	(44.3)	(41.4)	(29.7)	(45.2)	(48.9)	(44.8)
Depreciation and amortisation	13	(5.5)	(5.5)	(5.5)	(5.5)	(5.4)	(5.2)	(5.3)	(5.5)
Overhead costs [= ∑ 11 to 13]	**14**	**(118.3)**	**(114.0)**	**(213.9)**	**(124.7)**	**(114.8)**	**(126.3)**	**(132.5)**	**(124.2)**
Net operating income before impairments and provisions [= 10 + 14]	**15**	**115.3**	**117.2**	**19.7**	**(69.1)**	**84.8**	**50.9**	**68.6**	**40.5**
Recovery of loans, interest and expenses	16	2.9	6.2	2.9	6.2	3.1	3.4	3.3	3.9
Impairment losses and provisions for loans and guarantees, net	17	(16.7)	0.1	(16.7)	0.1	3.9	(1.1)	(15.6)	(20.1)
Impairment losses and other provisions, net	18	(0.6)	3.5	(0.6)	3.5	2.5	(5.1)	(30.6)	(3.3)
Net income before income tax [= ∑ 15 to 18]	**19**	**100.9**	**127.0**	**5.3**	**(59.3)**	**94.3**	**48.2**	**25.6**	**21.0**
Income tax	20	(10.9)	(29.2)	15.3	(63.1)	(6.5)	(15.8)	(9.0)	(13.4)
Net income from continuing operations [= 19 + 20]	**21**	**90.1**	**97.8**	**20.6**	**(122.3)**	**87.8**	**32.4**	**16.6**	**7.6**
Net income from discontinued operations	22					84.8	89.0	87.2	76.6
Income attributable to non-controlling interests from continuing operations	23	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Income attributable to non-controlling interests from discontinued operations	24					(42.3)	(44.4)	(43.6)	(38.4)
Net income [= ∑ 21 to 24]	**25**	**90.0**	**97.7**	**20.6**	**(122.3)**	**130.3**	**77.0**	**60.2**	**45.8**

1) Impairment losses and provisions for loans and guarantees net of recoveries of loans, interest and expenses.

2) The "pro forma" designation reflects the restatement of the BFA contribution to consolidated profit or loss in accordance with IFRS 5 (see note to the financial statements "1. Financial group").

Income

Recurring operating income from banking activity was 464.8 M.€ in the first half of 2017. The increase relative to the pro forma operating income from banking activity in the same period of 2016 (365.9 M.€) is in large part explained by the recognition according to the equity method of BFA contribution to the first half 2017 net income, following the sale of the 2% stake in BFA at the beginning of the year. In the pro forma income statement for the first half of 2016, the BFA contribution was reclassified to net income from discontinued operations[1].

On a comparable basis[2], recurring operating income from banking activity was up 16.5 M.€ (+3.7%) from the same period of the previous year.

Commercial banking income – which includes items of financial margin, net commission income, income from equity instruments and earnings of associated companies (equity method), excluding the contribution from equity interests in African banks – fell slightly (-0.8%) to 353.8 M.€.

Financial margin

Financial margin narrow sense increased 1.9% yoy (+3.4 M.€) in the first half of 2017, supported by improvement in the intermediation margin (margin between interest income from the loan portfolio and the cost of deposits), which increased 5.3% yoy (+9.2 M.€). It bears mentioning that the financial margin narrow sense was negatively affected by the 4 M.€ in interest recorded in the second quarter of 2017 related to subordinated Tier II debt issued at the end of March.

The relevant factor for the increase in the intermediation margin was the reduction of average cost of term deposits, which more than offset the narrowing of loan spreads, in a context of stabilisation of the loan portfolio with the moderate recovery of demand for loans. The unitary intermediation margin increased 0.09% from 1.67% in the first half of 2016 to 1.76% in the first half of 2017.

The financial margin, which includes both financial margin narrow sense and the Technical result of insurance contracts and Net commission relating to amortised cost, fell 1.4% yoy (-2.9 M.€).

Financial margin (RCL)

Amounts in M.€

		Jun. 17			Jun. 16 pro forma			
		Average balance	Average rate (%)	Interest	Average balance	Average rate (%)	Interest	yoy
Loans to customers	1	20 929	1.80	187.2	20 705	1.96	201.8	-7.2%
Customer deposits[1)]	2	19 749	0.04	3.6	19 065	0.29	27.4	-86.8%
Intermediation margin	**3**		1.76	**183.6**		1.67	**174.3**	**5.3%**
Other income and expenses	4			-1.3			4.6	-
Financial margin narrow sense [= 3 + 4]	**5**			**182.3**			**178.9**	**1.9%**
Technical result of insurance contracts	6			7.4			13.5	-44.9%
Net commission relating to amortised cost	7			10.3			10.6	-2.0%
Financial margin [= ∑ 5 to 7]	**8**			**200.1**			**203.0**	**-1.4%**

1) Deposits cheques and orders payable and other resources.

The reduction of the financial margin is essentially explained by the following factors:

With positive impact,

- the reduction of the average cost of term deposits, from 0.58% in the first half of 2016 to a value close to zero (0.08%) in the first half of 2017, having generated a positive price effect of roughly 25 M.€.

With negative impact,

- the reduction of loans spreads in the corporate and small businesses segments, particularly in the lower risk segments. The average spread of the loan portfolio

1) The contribution from BFA to consolidated net income (after taxes) was recorded on the Income Statement under “Net income from discontinued activities”, and deducted from “Income attributable to non-controlling interests from discontinued operations.”

2) Pro forma operating income from banking in the first half of 2016 is added to the BFA contribution for results that are recorded in the items of results corresponding to discontinued operations.

declined by 0.16% and created a negative price effect of approximately 15 M.€.

- cost of 4 M.€ in the first half of 2017 with respect to Tier II subordinated debt, in the amount of 300 M.€ and with a return equivalent to six-month Euribor + 5.74%, issued on 24 March 2017 and fully underwritten by CaixaBank. This issuance was critical to BPI's compliance with the minimum total capital ratio defined by the ECB for 2017 based on SREP ("Supervisory Review and Evaluation Process") results.
- The 6.1 M.€ yoy decline (-45%) in Technical result of insurance contracts, essentially due to reduction of the portfolio of these resources (capitalisation insurance with guarantee capital), which reflects a commercial approach that favours the placement of other savings products, particularly mutual funds and "unit link" capitalisation insurance.

It should be noted that the financial margin continued to be penalised by the Euribor rate's historic lows at levels close to zero or even negative, directly reflecting in the contraction of the average margin for demand deposits. The securities portfolio also has made a small contribution to the financial margin, reflecting the low yields for short-term public debt in the primary market, particularly Treasury Bills.

The following is noteworthy with respect to the financial margin in the second quarter of 2017 (compared to the previous quarter):

- the intermediation margin remained virtually stable (-0.2% qoq), because unitary intermediation margin fell slightly (-0.02%) and the loan portfolio (average balance) increased 0.5% qoq;
- the financial margin fell by 3.2 M.€ from the previous quarter, negatively affected by the cost of 4 M.€ (in the second quarter) for subordinated Tier II debt issued at the end of March.

Financial margin (RCL)

Amounts in M.€

		2Q17	1Q17	4Q16	3Q16 pro forma	2Q16 pro forma	1Q16 pro forma	qoq 2Q17 / 1Q17
Customer Loans	1	**93.3**	**93.9**	**94.4**	**96.4**	**99.5**	**102.3**	**-0.6%**
Average balance	2	20,978	20,879	20,811	20,843	20,796	20,615	0.5%
Average rate (%)	3	1.78	1.81	1.81	1.84	1.92	1.99	
Customer Deposits[1)]	4	**1.6**	**2.0**	**3.3**	**6.4**	**9.3**	**18.1**	**-20.2%**
Average balance	5	19,886	19,611	19,839	19,579	19,068	19,062	1.4%
Average rate (%)	6	0.03	0.04	0.07	0.13	0.20	0.38	
Intermediation margin [= 1 - 4]	7	**91.7**	**91.9**	**91.1**	**90.1**	**90.2**	**84.1**	**-0.2%**
Unitary intermediation margin (%) [= 3 - 6]	8	1.75	1.77	1.74	1.72	1.72	1.61	
Other[2)]	9	6.8	9.8	14.2	11.7	13.4	15.2	-30.7%
Financial margin [= 7 + 9]	10	**98.5**	**101.6**	**105.3**	**101.8**	**103.6**	**99.4**	**-3.1%**

1) Deposits cheques and orders payable and other resources.
2) Includes technical result of insurance contracts, Net commission relating to amortised cost and other.

Net commission income

Net commission income increased 4.8% (+6.3 M.€) from the same six-month period in 2016.

Contributions to this trend stemmed from the 3.2% (+2.7 M.€) increase in bank commissions and the 21% increase (+4.2 M.€) in asset management fees due to strong expansion of the volume of funds under management.

It should be noted that the year-on-year evolution of asset management fees is partially influenced by the deconsolidation of the BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux) starting at the end of March 2017, as a result of BPI having held less than 20% of the units of this fund (until then the fund was fully consolidated[1]). On a comparable basis, considering the deconsolidation of such fund, asset management fees increased 11.7% (+2.7 M.€) from the same period of 2016.

Net commission income (RCL) Amounts in M.€

		1H17	1H16 pro forma	yoy
Bank commissions	1	85.7	83.1	3.2%
Insurance Intermediation [2]	2	28.6	29.2	-1.8%
Asset management	3	24.0	19.8	21.1%
Total [= ∑ 1 to 3]	**4**	**138.3**	**132.0**	**4.8%**
Pro memoria:				
Gross margin on unit links	5	6.4	7.1	-8.7%

In the second quarter of 2017, Net commission income grew by 9.2% from the previous quarter, with increases of 5.6% in banking commissions, 2.8% in insurance intermediation commissions and 33% in asset management (+9.5% on a comparable basis, considering deconsolidation of the BPI Alternative Fund).

Net commission income (RCL) Amounts in M.€

		2Q17	1Q17	4Q16	3Q16 pro forma	Pro forma 2Q16	Pro forma 1Q16	qoq 2Q17 / 1Q17
Bank commissions	1	44.0	41.7	47.1	42.1	42.7	40.4	5.6%
Insurance intermediation[2]	2	14.5	14.1	15.4	14.4	14.5	14.6	2.8%
Asset management	3	13.7	10.3	11.9	9.8	10.2	9.6	32.6%
Total [= ∑ 1 to 3]	**4**	**72.2**	**66.1**	**74.5**	**66.3**	**67.4**	**64.6**	**9.2%**
Pro memoria:								
Gross margin on unit links	5	3.3	3.1	3.1	3.3	3.4	3.6	6.4%

1) In the first half of 2016 and the first quarter of 2017, 3.6 M.€ in net commissions were cancelled, in addition to 2.2 M.€ in the consolidation of such fund.

2) Includes gross margin on unit links.

Earnings of associated companies recognised by the equity method

The contribution from associated companies recognised by the equity method totalled 120.7 M.€ in the first half of 2017.

The contribution from associated companies, excluding equity interests in African banks, was 9.0 M.€, down 8.7 M.€ from the same period in 2016. This reduction is mainly explained by the decrease in Unicre's contribution, which in the first half of 2016 benefited from a one-time gain of 8.6 M.€ resulting from the acquisition of Visa Europe by Visa Inc.

The contribution from equity interests in African banks totalled 111.7 M.€[1] in the first half of 2017, of which 106.7 M.€ are derived from the 48.1% stake in BFA in Angola, which began to be recognised by the equity method at the start of the year, while 5.1 M.€ are derived from the 30% stake in BCI in Mozambique.

Earnings of associated companies (equity method) (RCL)

Amounts in M.€

In M.€		1H17	1H16 pro forma	yoy
Insurers: [= 2 + 3]	1	6.3	6.9	-8.9%
Allianz Portugal	*2*	*4.3*	*4.9*	*-12.2%*
Cosec	*3*	*2.1*	*2.1*	*-1.1%*
Unicre[2]	4	2.7	10.8	-74.8%
Inter-Risk	5	-0.1	0.0	s.s.
Banco de Fomento Angola	6	106.7	-	-
Banco Comercial de Investimento	7	5.1	3.6	39.2%
Total [= ∑ 2 to 7]	**8**	**120.7**	**21.4**	**s.s.**

In the second quarter of 2017, the earnings of associated companies recognised by equity method was 64.6 M.€, 8.4 M.€ more than in the previous quarter.

The contribution from associated companies, excluding interests in African banks, totalled 4.6 M.€ (+0.2 M.€ from 1Q 17).

Earnings of associates companies (equity method)

Amounts in M.€

In M.€		2Q17	1Q17	4Q16	3Q16 pro forma	Pro forma 2Q16	Pro forma 1Q16	qoq 2Q17 / 1Q17
Insurers: [= 2 + 3]	1	3.4	3.0	0.3	0.7	4.0	2.9	14.2%
Allianz Portugal	*2*	*2.5*	*1.8*	*-1.1*	*0.0*	*3.0*	*1.9*	*39.8%*
Cosec	*3*	*0.9*	*1.2*	*1.3*	*0.7*	*1.1*	*1.0*	*-24.6%*
Unicre[3]	4	1.3	1.5	0.0	1.5	9.6	1.2	-13.8%
Inter Risco	5	-0.0	-0.0	0.0	0.0	-0.0	0.0	s.s.
Banco de Fomento Angola	6	57.6	49.0	-	-	-	-	17.6%
Banco Comercial de Investimento	7	2.3	2.7	0.5	1.8	2.2	1.4	-14.3%
Total [= ∑ 2 to 7]	**8**	**64.6**	**56.1**	**0.8**	**4.0**	**15.8**	**5.6**	**15.0%**

1)The contribution from equity interests in African banks, excluding the impact from sale of the 2% stake in BFA and deconsolidation, was 100.6 M.€ in the first half of 2017 (96.0 M.€ from BFA and 4.6 M.€ from BCI), because deferred taxes are charged to results recognised by the equity method (recorded under "Income tax") related to distributable results.

2) In the first half of 2016 includes 8.6 M.€ from sale of the stake in Visa Europe. An additional gain of 22.9 M.€ (16.2 M.€ after taxes) was recorded in net income on financial operations in the first half of 2016.

3) In the second quarter of 2016 includes 8.6 M.€ from sale of the stake in Visa Europe.

Net income on financial operations

Net income on financial operations was 14.7 M.€ in the first half of 2017.

During the same period in 2016, net income on financial operations, in the amount of 25.2 M.€, includes a gain from financial assets available for sale of 22.9 M.€ (before taxes)[1], with the disposal of a stake in Visa Europe, under the framework of a public offering launched by Visa Inc. concerning Visa Europe.

In the second quarter of 2017, net income on financial operations was 7.1 M.€ (-0.6 M.€ from the previous quarter).

Operating income and expenses

The item "Operating income and expenses" is -15.5 M.€ in the first half of 2017, excluding the impact from sale of the 2% stake in BFA and deconsolidation. This amount essentially refers to cost items: contribution to the Single Resolution Fund under the Single European Resolution Mechanism (-11.4 million), contribution to the National Resolution Fund (-3.9 million), levies and donations (-1.5 M.€) and taxes (-2.7 M.€).

Under the item "Operating income and expenses", there was also a value of -175.5 M.€ associated with sale of the 2% stake in BFA and deconsolidation, such that the "as reported" value of the item is -191.0 M.€ for the first half of 2017.[2]

Net operating income and charges

Amounts in M.€

		1H17	1H16 pro forma
Annual contributions to the deposit guarantee fund	1	(0.0)	(0.0)
Contribution to the National Resolution Fund	2	(3.9)	(3.2)
Contribution to the European Resolution Fund	3	(11.4)	(14.9)
Levies and donations	4	(1.5)	(1.8)
Taxes	5	(2.7)	(3.2)
Results in non-financial assets	6	2.8	1.1
Other	7	1.2	2.5
Subtotal (recurring) [= ∑ 1 to 7]	8	**(15.5)**	**(19.6)**
Impact from sale of 2% of BFA and deconsolidation[2]	9	(175.5)	-
Total "as reported" [= 9 + 10]	10	**(191.0)**	**(19.6)**
Pro memoria:			
Extraordinary Contribution on the Banking Sector	11	(7.1)	(11.1)

Note: The Extraordinary Contribution concerning the Banking Sector is recorded under "Income tax". With the creation of the National Resolution Fund (Decree-Law no. 31-A/2012, of 10 February), the extraordinary contribution concerning the banking sector has been allocated to funding of the Resolution Fund.

In the second quarter of 2017 the item "Operating income and expenses" is -15.0 M.€ (in the previous quarter, with the value excluding the impact from sale of the 2% stake in BFA and deconsolidation was -0.5 M.€) due to the accounting in that quarter for total annual contributions to the national and European resolution funds.

Operating income and expenses

Amounts in M.€

		2Q17	1Q17	4Q16	3Q16 pro forma	2Q16 pro forma	1Q16 pro forma
Operating income and expenses (recurring)	1	(15.0)	(0.5)	(3.2)	(1.0)	(18.3)	(1.2)
Impact from sale of the 2% stake in BFA and deconsolidation	2	0.0	(175.5)	0.0	0.0	0.0	0.0
Total "as reported" [= 1 + 2]	3	**(15.0)**	**(176.0)**	**(3.2)**	**(1.0)**	**(18.3)**	**(1.2)**

1) Gain of 16.2 M.€ after taxes. Additionally, the contribution from the stake in Unicre, recognised by the equity method, includes a gain of 8.6 M.€ after taxes related to the acquisition of Visa Europe by Visa Inc.

2) The total impact on consolidated net income from sale of the 2% stake in BFA and deconsolidation was -212.3 M.€ in the first half of 2017. The value of -175.5 M.€ recorded under "Operating income and expenses" also includes deferred liabilities of 36.8 M.€, recorded under "Income tax".

Overhead costs

Recurring overhead costs– recurrent personnel costs, General administrative costs, depreciation and amortisation – fell by 8.5% (-21.6 M.€). Recurring personnel costs decreased by 9.2 (-13.8 M.€), General administrative costs fell by 8.5% (-8.0 M.€) and amortisation and provisions increased by 1.8%, all compared to the same period in 2016.

The described evolution of costs essentially reflects the positive impact (savings) from rationalisation and optimisation measures implemented in 2016, which involved the closure of 50 branches (8.5% reduction in distribution network in Portugal) and departure from the Group of 394 employees (-6.7%), primarily through early retirement.

BPI therefore continues to show an improving trend in efficiency levels. The ratio of "Adjusted overhead costs[1] as percentage of commercial banking income[2]" has improved (reduction) by 6.6 p.p., from 71% in June 2016 to 65% in June 2017 (last 12 months).

Overhead costs

Amounts in M.€

		1H17	1H16 pro forma	yoy
Personnel costs, excluding non-recurring costs	1	135.6	149.4	-9.2%
General administrative costs	2	85.7	93.7	-8.5%
Depreciation and amortisation	3	11.0	10.8	1.8%
Overhead costs, excluding non-recurring [= ∑ 1 to 3]	4	**232.3**	**253.9**	**-8.5%**
Costs from early retirements and voluntary terminations and (in 2016 only) gain from revision of ACT (Collective Labour Agreement)	5	106.4	2.9	s.s.
Overhead costs, as reported [=4 + 5]	6	**338.7**	**256.8**	**31.9%**
Adjusted overhead costs[1] as % of commercial banking income[2] (last 12 months)	7	**65%**	**71%**	**-6.6%**

In the first half of 2017, BPI completed an early retirements and voluntary terminations programme announced in April 2017, under which 519 employees agreed to leave the Group (292 by early retirement and 227 by voluntary terminations), in addition to 98 additional employees to whom the same conditions of the programme were applied.

As such, a total of 617 employees agreed to leave the Group, representing 11% of initial personnel. The cost of such outgoing personnel, corresponding to 106.4 M.€, was fully recognised in the results for the first half of 2017.

The positive impact on results, with an estimated reduction in annual costs of 36 M.€, will only be fully realised in 2019. Of the total number of employees (617) who agreed to end their employment with the BPI Group, 86 of such exits occurred in the first half of 2017[3]. The remaining 531 (9.8% of personnel in June 2017) will occur in the second half of 2017 (458) and in 2018 (73).

The "as reported" overhead costs, including the cost of 106.4 M.€ corresponding to the aforementioned early retirements and voluntary terminations, totalled 338.7 M.€.

1) Overhead costs excluding costs with early retirements and voluntary terminations and (in 2016 only) gain arising from revision of the CBA.
2) Financial margin, net commission income, income from equity instruments and earnings of associated companies (equity method), excluding the contribution from equity interests in African banks.
3) Some 33 additional employees ended their employment with the BPI Group, such that total personnel declined by 119 during that six-month period to 5,406 employees at the end of June 2017.

Recurring overhead costs in the second quarter of 2017 increased 4.3 M.€ as compared to the previous quarter.

Recurring personnel costs increased by 1.3 million (+1.9%) and General administrative costs were up 3.0 M.€.

Overhead costs

Amounts in M.€

		2Q17	1Q17	4Q16	3Q16 pro forma	2Q16 pro forma	1Q16 pro forma	Qoq 2Q17 / 1Q17
Personnel costs, excluding non-recurring costs	1	68.4	67.2	70.5	71.3	76.0	73.4	1.9%
General administrative costs	2	44.3	41.4	29.7	45.2	48.9	44.8	7.2%
Depreciation and amortisation	3	5.5	5.5	5.4	5.2	5.3	5.5	1.1%
Overhead costs, excluding non-recurring [= ∑ 1 to 3]	4	**118.3**	**114.0**	**105.5**	**121.7**	**130.3**	**123.6**	**3.8%**
Costs from early retirements and voluntary terminations and (in 2016 only) gain from revision of Collective Labour Agreement (ACT)	5	95.6	10.7	9.3	4.7	2.3	0.6	s.s.
Overhead costs, as reported [=4 + 5]	6	**213.9**	**124.7**	**114.8**	**126.3**	**132.5**	**124.2**	**s.s.**

Employee pension liabilities

The present value of the Bank Employees' pension liabilities for past services totals 1 541 M.€ at the end of June 2017, a value that includes the increase in liabilities arising from early retirement agreed upon during the six-month period.

The net assets of the Employees' pension funds were 1 504 M.€, which ensured coverage of 97.6% of pension liabilities.

Employees' pension liabilities and pension funds

Amounts in M.€

	30 Jun. 17	31 Mar. 17	31 Dec. 16
Total past service liabilities	1,541	1,462	1,463
Net assets of the pension funds	1,504	1,463	1,431 (1)
Degree of coverage of pension liabilities	97.6%	100.1%	97.8%
Discount rate	2.08%	2.00%	2.00%
Pensionable salary increase rate	1.00%	1.00%	1.00%
Pension increase rate	0.50%	0.50%	0.50%
Mortality table: Male	TV 88/90	TV 73/77 – 2 years2)	
Mortality table: Female	TV 88/90 – 3 years2)	TV 88/ 90 – 3 years2)	

1) Includes contribution of 75.5 M.€ transferred to pension funds in January 2017.
2) For the covered population, an age of 2 years for men and 3 years for women, respectively, below the actual age of beneficiaries is considered, which corresponds to an assumption of higher life expectancy.

Pension funds' return

In the first half of 2017, the Bank's pension funds recorded a non-annualised return of 6.8%, which was above the discount rate and resulted in an actuarial deviation in revenue of 78.5 M.€.

Actuarial assumptions

In June 2017, Banco BPI adopted a more conservative mortality table for men (TV 88/90), resulting in an increase of 63.4 M.€ in pension liabilities (actuarial negative deviation). The mortality table becomes the same as the table adopted for women, whereas in the case of the latter (women) the Bank considers an age of three years lower than the effective age of beneficiaries, which is equivalent to consider a higher life expectancy.

Also in June, the Bank began to use the CDS AA curve to determine the discount rate. The value of the discount rate is adjusted by the values observed in the market at the end of the period. The change in the cited criteria yielded a change in the discount rate from 2.00% to 2.08%, reducing liabilities by 22.7 M.€.

Actuarial deviations

The balance of (cumulative) actuarial deviations improved from -244.0 M.€ at the end of 2016 to - 209.3 M.€ at the end of June 2017.

The actuarial surpluses of 34.7 M.€ are mainly due to the positive deviation in the fund's return of 78.5 M.€, which offset the negative deviation of 40.7 M.€ from the change in actuarial assumptions (change in the mortality table for men and reduction of the discount rate).

Evolution of actuarial deviations in the 1st half of 2017

Amounts in M.€

Total actuarial deviations at 31 Dec. 16	**1**	**(244.0)**
Change of assumptions[1)]	2	(40.7)
Deviation in pension funds income	3	78.5
Other	4	(3.1)
Total actuarial deviations at 30 Jun. 17 [= ∑ 1 to 3]	**5**	**(209.3)**

Note: actuarial deviations are recognised directly in shareholders' equity, according to IAS 19.
1) Includes change in mortality table and discount rate.

IMPAIRMENT AND PROVISIONS

Total impairment and provisions in the period, net of Recovery of loans, interest and expenses, were 4.5 M.€ in the first half of 2017 and corresponded to:

- impairment losses and provisions for loans and guarantees (net of recoveries) of 7.5 M.€;
- reversals of impairment losses and other provisions (net) of 3.0 M.€.

Impairment losses and provisions for loans and guarantees

Impairment losses and provisions for loans and guarantees declined by 35.8 M.€ in the first half of 2016 to 16.6 M.€ in same period of 2017. As a percentage of the average balance of the loan portfolio, in annualised terms, Impairment losses and provisions for loans and guarantees declined from 0.32% in the first half of 2016 to 0.15% in the first half of 2017.

This reduction was due to an improvement in the overall loan portfolio quality indicators, reduction in the flow of new situations with evidence of impairment and maintenance of a high level of impairment coverage.

In the first half, recovery of loans, interest and expenses reached 9.1 M.€ (7.2 M.€ in the same six-month period in 2016).

The cost of credit risk[2] stood at 7.5 M.€ in the first half of 2017, which corresponded to 0.07% of the average loan portfolio, in annualised terms, an amount significantly below its average value of 0.29% over the past 15 years, excluding maximum values recorded in 2012 and 2013[3].

1) Net of recoveries of loans.
2) Impairment losses and provisions for loans and guarantees, net of recoveries of loans, interest and expenses.
3) Maximum values of 0.91% in 2012 and 0.98% in 2013.

Impairment losses and provisions for loans and guarantees

Amounts in M.€

		1st Half 17				1st Half 16 pro forma			
		Impair-ments	as % loan portfolio 1)	Cost of risk 2)	as % loan portfolio 1)	Impair-ments	as % loan portfolio 1)	Cost of risk 2)	as % loan portfolio 1)
Loans to individuals	1	**0.5**	**0.01%**	**-2.3**	**-0.04%**	**1.4**	**0.02%**	**-1.0**	**-0.02%**
Mortgage loans	2	-1.8	-0.03%	-2.8	-0.05%	-2.4	-0.04%	-3.4	-0.06%
Other loans to individuals	3	2.3	0.46%	0.5	0.10%	3.7	0.85%	2.4	0.54%
Loans to companies	4	**15.5**	**0.39%**	**9.2**	**0.23%**	**30.9**	**0.81%**	**26.1**	**0.68%**
Large- and medium-sized companies	5	13.2	0.44%	11.5	0.38%	30.0	1.00%	28.8	0.96%
Small businesses	6	2.2	0.24%	-2.3	-0.25%	0.9	0.11%	-2.7	-0.31%
Other	7	**0.6**	**0.04%**	**0.6**	**0.04%**	**3.5**	**0.21%**	**3.5**	**0.21%**
TOTAL [= 1 + 4 + 7]	8	**16.6**	**0.15%**	**7.5**	**0.07%**	**35.8**	**0.32%**	**28.6**	**0.25%**

1) In % of average performing loan portfolio, in annualised terms
2) Impairment net of recovery of loans, interest and expenses previously written off.

In the second quarter, impairment losses and provisions for loans and guarantees of 16.7 M.€ were recorded, essentially for the purpose of increasing coverage for the aforementioned situations subject to individual impairment.

The cost of credit risk[2] was 13.8 M.€, which corresponded to 0.24% of the loan portfolio, in annualised terms. The cost of credit risk in the last 12 months was -0.01% as percentage of the loan portfolio.

Impairment losses and provisions for loans and guarantees

Amounts in M.€

		2Q17	1Q17	4Q16	3Q16 proforma	2Q16 proforma	1Q16 proforma
Impairment losses and provisions for loans and guarantees	1	**16.7**	**-0.1**	**-3.9**	**1.1**	**15.6**	**20.1**
as % of loan portfolio 1)	2	**0.30%**	**0.00%**	**-0.07%**	**0.02%**	**0.28%**	**0.36%**
Recovery of loans, interest and expenses	3	2.9	6.2	3.1	3.4	3.3	3.9
Impairment losses and provisions for loans and guarantees, net of recoveries [= 1 - 3]	4	**13.8**	**-6.3**	**-7.0**	**-2.3**	**12.4**	**16.2**
as % of loan portfolio 1)	5	**0.24%**	**-0.11%**	**-0.12%**	**-0.04%**	**0.22%**	**0.29%**
Impairment losses and provisions for loans and guarantees, net of Recovery of loans, interest and expenses , as % of loan portfolio (last 12 months)	6	-0.01%	-0.01%	0.09%	0.16%	0.24%	0.32%

Impairment losses and other provisions (net)

In the first half of 2017, reversals of impairment losses and other provisions (net) of 3.0 M.€ were recorded.

During the same period in 2016, the value of impairment losses and other provisions (net) of 33.9 M.€ included impairments for PT International Finance bonds (OI Group) in the amount of 18.3 M.€.

BALANCE SHEET

Consolidated net total assets were 32.8 th.M.€ at the end of June 2017.

The consolidated balance sheet mainly reflects the commercial banking activity conducted in Portugal.

In June 2017, net loans to customers totalled 22.8 th.M.€, representing 70% of assets, and customer resources on the balance sheet (24.1 th.M.€) constitute the main source of financing of the balance sheet (73% of assets).

The equity interests in African banks – BFA and BCI – are equity-accounted and had a book value of 492.1 M.€ and 53.9 M.€, respectively, at the end of June 2017.

BPI maintains a comfortable liquidity position and a balanced funding situation:

- The loans to deposits ratio[1] stood at 106% in June 2017.
- BPI has a portfolio of euro area countries short-term public debt of 2.9 th.M.€[2] and medium- and long-term public debt of 0.5 th.M.€, with a residual average maturity of 1.8 years;
- Funds obtained from the ECB totalled 2.0 th.M.€. The Bank has the capacity to raise additional funds from ECB of 6.9 th.M.€;
- Recourse to wholesale debt market is minimal (3% of assets).
- The liquidity coverage ratio (LCR) is 179%.

Balance sheet

Amounts in M.€

		30 Jun. 17	31 Mar. 17	31 Dec. 16
Assets				
Cash and deposits at central banks	1	983.4	1,300.2	876.6
Deposits at other credit institutions	2	300.0	272.1	300.2
Loans and advances to credit institutions	3	744.6	781.8	637.6
Loans and advances to Customers	4	22,819.8	22,718.4	22,735.8
Financial assets held for trading and at fair value through profit or loss	5	2,409.7	2,421.4	2,197.9
Financial assets available for sale	6	3,779.3	3,816.9	3,876.4
Held to maturity investments	7	14.4	16.3	16.3
Investments in associated companies and jointly controlled entities	8	675.0	681.6	175.7
Non-current assets held for sale and discontinued operations	9	0.0	0.0	6,295.9
Other tangible assets	10	43.7	48.0	51.0
Intangible assets	11	24.7	24.6	25.6
Tax assets	12	472.8	447.5	471.8
Other assets	13	483.9	447.9	623.8
Total Assets [= ∑ 1 to 13]	14	**32,751.4**	**32,976.7**	**38,284.7**
Liabilities and shareholders' equity				
Resources of central banks	15	2,145.4	1,999.5	2,000.0
Resources of other credit institutions	16	1,624.1	1,834.9	1,096.4
Resources of Customers and other debts	17	22,335.5	22,413.5	21,967.7
Debt securities	18	268.9	288.6	506.8
Technical provisions	19	1,923.6	1,985.2	2,048.8
Financial liabilities relating to transferred assets	20	511.4	525.6	555.4
Non-current liabilities held for sale and discontinued operations	21	0.0	0.0	5,951.4
Provisions	22	68.8	69.3	70.2
Tax liabilities	23	67.1	66.5	22.0
Other subordinated debt and participating bonds	24	373.8	369.9	69.5
Other liabilities	25	870.5	889.0	1,087.9
Shareholders' equity attributable to the shareholders of BPI	26	2,560.6	2,533.0	2,440.5
Non controlling interests	27	1.8	1.8	468.0
Total Shareholders' equity [=26 + 27]	28	**2,562.3**	**2,534.7**	**2,908.5**
Total liabilities and Shareholders' equity [= ∑ 15 to 27]	29	**32,751.4**	**32,976.7**	**38,284.7**

1) Calculated according to Instruction 16/2004.
2) 2.0 th.M.€ from Portugal, 0.5 th.M.€ from Spain and 0.5 th.M.€ from Italy. The average residual maturity of the short-term portfolio is 0.4 years.

Loans to Customers

The customer loan portfolio has stabilised in the first half of 2017 but shows selective growth with the moderate recovery of loans demand from companies and individuals, signalling a reversal in the trend of portfolio contraction that has been witnessed since 2010.

Growth of 3.6% ytd in the portfolio of loans to companies in Portugal (large- and medium-sized companies in Portugal[1] and Small businesses) and 5.3% in consumer loans (personal loans, car loans and outstanding credit cards) were both noteworthy, while the mortgage loan portfolio remained stable (-0.1%).

Credit granted by the Bank to Portuguese companies increased by 233 M.€ from December 2016, of which 166 M.€ is related to loans to large- and medium-sized companies (+3.7%) and 67 M.€ corresponds to loans to Small businesses (+3.5% ytd). The Bank continues to gradually gain market share in this segment, which reached 7.9% in April 2017 (+0.2% from the end of last year).

Loans to individuals increase 0.3% ytd:

- The contracted amount of mortgage loans increased 19% in the six-month period (yoy) to 494 M.€, equalling the amortisation value during the period. Accordingly, the Bank's mortgage loan portfolio remained relatively stable (similar to what occurred in 2015), while the market in this segment continues to reflect a decline in the global portfolio. The Bank continues to gain market share in mortgage loans, which stood at 11.1% in April 2017;
- loans to consumers (personal loans, car loans and credit cards) increased 5.3% (+55 M.€).

Customer loans portfolio

Amounts in M.€

		Jun. 17	Mar. 17	Dec. 16	YtD	qoq
Loans to individuals [= 2 + 3]	**1**	**12 146**	**12 118**	**12 107**	**0.3%**	**0.2%**
Mortgage loans	2	11 069	11 078	11 084	(0.1%)	(0.1%)
Other loans to individuals	3	1 077	1 039	1 023	5.3%	3.6%
Corporate banking [= 5 + 9]	**4**	**8 333**	**8 365**	**8 232**	**1.2%**	**(0.4%)**
Large and Medium-sized companies [= ∑ 6 to 8]	5	6 350	6 415	6 315	0.5%	(1.0%)
Large and Medium-sized companies in Portugal	6	4 701	4 718	4 535	3.7%	(0.4%)
Project Finance Portugal	7	995	955	996	(0.0%)	4.2%
Madrid branch	8	654	742	785	(16.7%)	(11.9%)
Small businesses	9	1 983	1 950	1 916	3.5%	1.7%
Portfolio of BPI Vida e Pensões (BPI Life and Pensions)[2]	**10**	**1 248**	**1 189**	**1 303**	**(4.2%)**	**4.9%**
Public sector	**11**	**1 440**	**1 388**	**1 417**	**1.6%**	**3.8%**
Other	**12**	**327**	**349**	**372**	**(12.3%)**	**(6.5%)**
Total [= 1 + 4 + ∑ 10 to 12]	**13**	**23 494**	**23 409**	**23 431**	**0.3%**	**0.4%**
Pro memoria:						
Net loan portfolio	14	22 820	22 718	22 736	0.4%	0.4%

1 Excludes project finance portfolio and portfolio of Madrid branch.
2) Credit held by BPI Vida e Pensões (consolidated by global integration), BPI Group entity that manages capitalisation insurance. The loan portfolio of BPI Vida e Pensões essentially corresponds to bonds and commercial paper issued by large Portuguese companies.

Loan portfolio quality

BPI recorded an improvement in the loan quality indicators, a reduction in the flow of new default situations and in the cost of credit risk:

- the credit at risk ratio (IAS/IFRS scope of consolidation[1]) decreased to 3.6% in June 2017, an indicator representing a significant improvement in relation to the highest reading, reached at the end of 2014 (5.0%);
- the coverage of credit at risk by accumulated impairment losses on the balance sheet[2], excluding coverage for collateral, was 83% in June 2017.
- the coverage of credit at risk by accumulated impairment losses on the balance sheet and associated collateral is 149%.
- the change in the balance of credit at risk, adjusted for write-offs and sales of loans, was 10.8 M.€ in the first half of 2017, which corresponded to 0.10% of the loan portfolio, in annualised terms;
- the cost of credit risk (Impairment losses and provisions for loans and guarantees net of Recoveries of loans, interest and expenses) was 7.5 M.€ in the first half of 2017, which corresponded to 0.07% of the average loan portfolio, in annualised terms.

At the end of June 2017, the ratios of credit at risk and impairment coverage (IAS/IFRS scope of consolidation) in the main segments were as follows:

- Large- and medium-sized companies – ratios of credit at risk of 5.7% and coverage of 94%;
- Small businesses - ratios of credit at risk of 4.8% and coverage of 93%;
- mortgages - credit at risk ratios of 3.0% and coverage of 61%. The analysis of the coverage level must also consider the relevant effect from collateral (real guarantees) in reducing the risk of loss in this segment. At the end of June 2017, the average loan-to-value ratio for the overall loan portfolio in this segment was 47.5%.
- Consumer - ratios of credit at risk of 3.6% and coverage of 112%.

Credit at risk and impairment coverage

Amounts in M.€

		Jun. 17				Dec. 16			
		Credit at risk	Credit at risk ratio	Impairment[1)]	Coverage	Credit at risk	Credit at risk ratio	Impairment[1)]	Coverage
Loans to individuals [= 2 + 3]	**1**	**374**	**3.1%**	**248**	**66%**	**388**	**3.2%**	**258**	**66%**
Mortgage loans	2	335	3.0%	204	61%	348	3.1%	212	61%
Other loans to individuals	3	39	3.6%	44	112%	40	4.0%	46	114%
Loans to companies [= 5 + 6]	**4**	**459**	**5.5%**	**432**	**94%**	**470**	**5.7%**	**445**	**95%**
Large and Medium-sized companies	5	364	5.7%	343	94%	361	5.7%	351	97%
Small businesses	6	95	4.8%	89	93%	109	5.7%	94	86%
Other	**7**	**5**	**0.2%**	**15**	**285%**	**5**	**0.1%**	**15**	**322%**
TOTAL [= 1 + 4 + 7]	**8**	**839**	**3.6%**	**695**	**83%**	**863**	**3.7%**	**718**	**83%**

1) Impairment losses and provisions for loans and guarantees.

New entries of credit at risk (measured by the change in credit at risk balance adjusted for write-offs and sales of loans) were 10.8 M.€ in the first half of 2017, down 42.8 M.€ from the same period in 2016 (53.6 M.€). As a percentage of the loan portfolio, New entries of credit at risk in the first half of 2017 represented 0.10%, in annualised terms (0.47% in the same period of 2016, annualised).

1) Calculated according to the definition provided for in Bank of Portugal Instruction 23/2011 and considering the IAS/IFRS consolidation perimeter, whereby BPI Vida e Pensões is subject to global consolidation and its portfolio is included in the consolidated loan portfolio (BPI Vida e Pensões is recognised according to the equity method within Bank of Portugal supervision perimeter). According to Instruction 23/2011 and considering the supervision perimeter, at 30 June 2017, there was a total of 838.8 M.€ of credit at risk, with a credit at risk ratio of 3.8%.

2) Considering the IAS/IFRS consolidation perimeter.

New entries of credit at risk

Change in credit at risk adjusted for write-offs and sales of loans — Amounts in M.€

		1st Half 17	2Q17	1Q17	4Q16[1)]	3Q16[1)]	1st Half 16[1]	2Q16[1]	1Q16[1]
Opening balance in the quarter	1	862.6	879.6	862.6	1,073.5	1,104.5	1,070.9	1,079.0	1,070.9
New entries of credit at risk	2	10.8	-12.0	22.8	-86.9	11.1	53.6	45.5	8.1
Write-offs and sales of loans	3	34.6	28.7	5.9	124.0	42.0	20.1	20.1	0.0
End of quarter balance [= 1 + 2 - 3]	4	838.8	838.8	879.6	862.6	1,073.5	1,104.5	1,104.5	1,079.0
New entries as % of average portfolio	5	0.10%	-0.21%	0.40%	-1.54%	0.20%	0.47%	0.81%	0.14%

Non-performing loans, calculated according to the definition adopted by CaixaBank (BPI consolidating entity), were 1 439 M.€ in June 2017 and corresponded to 5.8% of the portfolio of gross loans and guarantees.

The coverage of non-performing loan by accumulated impairment losses on the balance sheet, excluding the coverage by collaterals, was 48% in June 2017.

Considering the accumulated impairment losses on the balance sheet and associated collateral, non-performing loans coverage is 115%.

Non-performing loans (CaixaBank criteria) — Amounts in M.€

		Jun. 17
Gross loans portfolio and guarantees	1	24,906
Non-performing loans	2	1,439
Non-performing loans ratio [= 2 / 1]	3	5.8%
Impairments for loans and guarantees	4	695
Coverage [= 4 / 2]	5	48%

Restructured loans

Restructured loans was 1 407 M.€ at the end of June 2017. Of this amount, 381 M.€ is included in the balance of credit at risk.

The value of restructured loans not included in credit at risk, therefore, totals 1 027 M.€, which corresponds to 4.4% of the gross loan portfolio.

Restructured loans — Amounts in M.€

		Jun. 17	in % of gross credit[2]	Dec. 16	in % of gross credit[1]
Included in credit at risk	1	380.6	1.6%	367.7	1.6%
Performing loans	2	1,026.7	4.4%	1,059.8	4.5%
Total [= 1+2]	3	**1,407.3**	**6.0%**	**1,427.5**	**6.1%**

Real estate received in settlement of defaulting loans

At the end of June 2017, BPI held real estate received in settlement of defaulting loans with a gross book value of 101.4 M.€. Of this amount, 42.4 M.€ corresponds to properties repossessed from home-loans recoveries and 59.0 M.€ to properties repossessed from recoveries of other loans.

At the same date, the accumulated impairment losses for real estate received in settlement of defaulting loans totalled 22.1 M.€, which corresponded to 22% of the gross book value thereof. As a result, the net book value of such properties is 79.3 million, as compared to a market value of such real estate of 98.5 M.€.

Participation in recovery and corporate restructuring funds

Banco BPI hold units of participation in specialised loan recoveries funds (Recovery Fund, FCR and Corporate Restructuring Fund FCR) with an offsetting entry corresponding to the transfer of customer loans to such funds.

1) Consolidated amounts excluding BFA (fully consolidated until the end of 2016).
2) Restructured loans in accordance with Bank of Portugal Instruction 32/2013 and considering the IAS/IFRS consolidation perimeter, whereby BPI Vida e Pensões is fully consolidated and its portfolio is included in the consolidated loan portfolio (within Bank of Portugal supervision perimeter, BPI Vida e Pensões is equity-accounted).

At the end of June 2017, the capital subscribed by BPI in the Recovery Fund, FCR and the Corporate Restructuring Fund FCR was 103.5 M.€, which represented only 2% of the overall size of recovery and corporate restructuring funds in the market 4.8 th.M.€).

BPI's realised capital was 92.4 M.€ (88.6 M.€ in the Recoveries Fund, FCR and 3.8 M.€ in the Corporate Restructuring Fund FCR).

With respect to such funds, the Bank had accumulated impairment losses of 33.1 M.€ and potential capital gains of 2.0 M.€, thus making a net exposure of 61.3 M.€.

Customer resources

Total customer resources – on- and off-balance sheet – have strongly increased during the six-month period, by 1.6 th.M.€ (+4.7% ytd).

Customer deposits increased 353 M.€ in the six-month period (+1.8% ytd), although its evolution was conditioned by the downward adjustment in term deposits remuneration.

Customer resources recorded on the balance sheet – deposits, retail bonds, capitalisation insurance and participating units in consolidated funds – totalled 24.1 th.M.€ at the end of June 2017.

The 0.5% increase of on balance sheet resources in the six-month period is influenced by the deconsolidation of the BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux) starting in March 2017[1]. On a comparable basis, balance sheet resources increased by 1.6% ytd (+368 M.€).

The strong placement of mutual in funds during the six-month period by the Bank warrants mention. The portfolio of mutual funds increased 1.0 th.M.€, which includes the effect from assets appreciation, representing a change of 19.9% ytd. On a comparable basis, adjusting for the deconsolidation of the BPI Alternative Fund, mutual funds have increased 0.8 th.M.€ ytd (+14.4%).

Assets under management and customer investments in third-party public offerings totalled 10.4 th.M.€ in June 2017 (+16.0% ytd).

Customer resources portfolio

Amounts in M.€

		Jun. 17	Mar. 17	Dec. 16	YtD	qoq
On-balance sheet resources [= 2 + 6]	**1**	**24,122**	**24,316**	**24,003**	**0.5%**	**-0.8%**
Deposits [= ∑ 3 to 5]	**2**	**20,069**	**20,038**	**19,754**	**1.6%**	**0.2%**
Demand deposits	3	11,134	10,629	10,321	7.9%	4.8%
Term and savings deposits	4	8,879	9,333	9,338	-4.9%	-4.9%
Retail bonds	5	56	77	95	-40.4%	-26.3%
Capitalisation insurance and other [= ∑ 7 a 9]	**6**	**4,053**	**4,278**	**4,250**	**-4.6%**	**-5.3%**
"Aforro" capitalisation insurance and other (IFRS 4) and guaranteed rate	7	1,943	2,005	2,070	-6.1%	-3.1%
Unit links capitalisation insurance	8	2,111	2,005	1,930	9.3%	5.3%
Participating units in consolidated mutual funds[2]	9		268	250	-100.0%	-100.0%
Assets under management [= 11 + 12]	**10**	**8,907**	**8,293**	**7,662**	**16.2%**	**7.4%**
Mutual funds[3]	11	6,286	5,738	5,244	19.9%	9.5%
Pension funds	12	2,621	2,555	2,418	8.4%	2.6%
Subscriptions in public offerings	**13**	**1,494**	**1,312**	**1,304**	**14.6%**	**13.8%**
Total [= 1+ 10 + 13]	**14**	**34,523**	**33,922**	**32,970**	**4.7%**	**1.8%**

1) Recorded off-balance sheet.
2) The BPI Alternative Fund ceased to be consolidated as of March 2017 and therefore has been recorded off-balance sheet. In Dec. 16 and Mar. 17, the item "Capitalisation insurance and other" includes 250 M.€ and 268 M.€, respectively, with respect to such fund. Adjusted for deconsolidation of the fund, "Capitalisation insurance and other" increased 1.3% YtD and 1.1% qoq and "Mutual Funds" increased 14.4% YtD and 4.7% qoq.
3) Includes BPI Group pension funds of 1,397 in Dec. 16 and 1,556 in Jun. 17.

Funding structure and liquidity

BPI has a balanced funding structure and a comfortable liquidity position.

Funding structure

Customer resources are the main source of balance sheet funding. At the end of June 2017, on-balance sheet customer resources totalled 24.1 th.M.€ and represented 73% of assets.

The loans to deposits ratio was at 106%.

Loans to deposits ratio

Amounts in M.€

		Jun. 17	Mar. 17	Dec. 16
Net loan losses	1	21,585	21,542	21,445
Deposits	2	20,390	20,622	20,279
Loans to deposits ratio [= 1 / 2]	3	**106%**	**104%**	**106%**

Recourse to the wholesale debt market is low at 1.1 th.M.€[1] (3% of assets).

Liquidity

At the end of June 2017, the Bank had a Liquidity Coverage Ratio (LCR) of 179%.

At the time, the short-term financing gap at the same date was -2.0 th.M.€ (including financing from ECB-TLTRO) and was broken down as follows:

- net creditor position in the money market of 14 M.€ and repo (repurchase) transactions of 31 M.€;
- ECB financing of 2.0 th.M.€, composed entirely of funds obtained from TLTRO.

It should be borne in mind with respect to the aforementioned financing gap that there are highly liquid assets on the Bank's balance sheet. In this respect, it should be mentioned that the portfolio of short-term public debt securities from euro area countries is 2.9 th.M.€ (2.0 th.M.€ in Treasury Bills issued by the Portuguese Republic, 0.5 th.M.€ from Spain and 0.5 th.M.€ from Italy) with an average residual maturity of 0.4 years.

Financing of short-term liquidity position

M.€

		Jun. 17	Dec. 16
Short-term lending			
Loans to Credit Institutions	1	812	569
[=1]	2	**812**	**569**
Short-term borrowing			
Money market	3	(798)	(507)
Repos	4	(31)	(61)
[=3+4]	5	**(828)**	**(568)**
Euro Commercial paper	6		0
Funding from the ECB (net of deposits)	7	(1,996)	(2,000)
[=Σ 5 to 7]	8	**(2,825)**	**(2,568)**
Total short-term gap [=2+8]	9	**(2,013)**	**(1,998)**

In June 2017, BPI had a portfolio of assets eligible for the Eurosystem of 9.7 th.M.€ (values net of appreciation and haircuts).

Accounting for uses of the portfolio as of this date, repo (repurchase) transactions, collateralisation of various liabilities and ECB financing, BPI had the capacity to raise additional financing from the ECB of 6.9 th.M.€.

Assets eligible for Eurosystem

Amounts in M.€

		Jun. 17	Dec. 16
Total eligible assets[2]	1	**9 746**	**9 022**
of which: assets given as collateral[3]	2	802	935
Net eligible assets [= 1 - 2]	3	**8 944**	**8 087**
Used as collateral in funding with the ECB	4	2 001	2 001
Available eligible assets [= 3 - 4]	5	**6 943**	**6 086**

1) Includes 300 M.€ of subordinate debt issued in 1Q 2017 and fully underwritten by CaixaBank.

2) Total eligible assets, net of valuation and haircuts and prior to uses.
3) Assets committed to entities other than ECB.

Capital

Common Equity Tier 1 (CET1) fully implemented (i.e., not benefitting from the phasing in provided for in CRD IV / CRR rules) totalled 1 792 M.€ and the CET1 ratio was 10.9% at the end of June 2017.

The 0.2% decline in the CET1 ratio fully implemented from December 2016 is explained by:

- Negative impact of 0.8 p.p. from the sale of 2% of BFA and deconsolidation, resulting from both the reduction in CET1 capital by 1.0 th.M.€ and in risk-weighted assets by 7.9 th.M.€;
- Organic capital generation with a positive impact of 0.6 p.p. (net income for the six-month period, with an impact of +0.7 p.p., net of use of capital of 0.1 p.p. arising from the increase in risk-weighted assets related to credit risk).

CET 1 ratio fully-implemented Amounts in M.€

	Jun. 17	Dec. 16 pro forma[1)]	Dec. 16
CET 1	1 792.0	1 665.2	2 678.8
Risk-weighted assets	16 505.5	16 144.4	24 076.1
CET1 ratio	10.9%	10.3%	11.1%

1) After impact from the sale of 2% of BFA and deconsolidation.
The impact from the sale of 2% of BFA and deconsolidation is explained by:

in CET1 (decline of 1.0 th.M.€),
- decrease of 30.2 M.€ in the on BPI's consolidated shareholders' equity;
- derecognition of eligible minority interests;
- deduction of the 48.1% stake held by BPI in BFA;
- indirect impacts from CRR limits for holdings of more than 10% in credit institutions and insurance companies and for deferred tax assets.

in risk-weighted assets (reduction of 7.9 th.M.€),
- derecognition of BFA assets, with the value of the stake recognised by the equity method, deducted to CET1 capital.

In June 2017, the fully implemented Tier 1 ratio was 10.9% and the total capital ratio was 12.7%, because the latter benefited from the 300 M.€ Tier II subordinated debt issued at the end of March 2017[1].

Calculated according to CRD IV / CRR phasing in rules (rules applicable in 2017), the CET1 capital ratio in June 2017 is 11.9%, the Tier 1 ratio was 11.9% and the total capital ratio was 13.3%, and BPI has complied with SREP requirements defined for 2017 (consolidated CET1 ratios of 9.25%, T1 of 9.75% and total of 11.75%).

Leverage ratios (CRD IV / CRR)

The leverage ratio is the ratio calculated between Tier 1 capital and the total value of the balance sheet assets and off-balance sheet items, which are therefore not subject to the weighting coefficients as happens in the calculation of risk-weighted assets.

At 30 June 2017 the leverage ratios were as follows:

- Fully-implemented Leverage ratio: 6.0%
- Phasing-in Leverage ratio": 6.7%.

Leverage ratios Amounts in M.€

	Jun. 17	Dec. 16
Leverage ratio - fully implemented	6.0%	7.4%
Leverage ratio - phasing in	6.7%	7.6%

1) The issuance has a rate of return equivalent to 6-month Euribor + 5.74% and was fully underwritten by CaixaBank.

Common Equity Tier 1 ratio

According to CRD IV / CRR rules

Amounts in M.€

		CRD IV / CRR Phasing in		CRD IV / CRR Fully implemented	
		Jun. 17	Dec. 16	Jun. 17	Dec. 16
Share capital, premiums and reserves	1	2 556.2	2 434.0	2 560.6	2 440.6
Eligible minority interests	2	0.0	382.6	0.0	390.0
[∑ 1 + 2]	3	**2 556.2**	**2 816.6**	**2 560.6**	**2 830.7**
Tax losses	4	(16.8)	(18.3)	(20.9)	(30.6)
Other[1]	5	(29.4)	(30.7)	(36.6)	(49.6)
[∑ 3 to 5]	6	2 510.0	2 767.5	2 503.0	2 750.5
Deductions of shareholdings in CIs and Insurers > 10%	7	(430.6)	(6.5)	(541.8)	(17.8)
Deductions of deferred tax assets	8	0.0	0.0	0.0	0.0
Deductions of shareholdings in CIs and Insurers > 10% + Deductions of deferred tax assets	9	(48.4)	(23.6)	(169.2)	(54.0)
National filters	11	28.6	52.0	0.0	0.0
Negative components of AT1 capital	10	(62.6)	(34.7)	0.0	0.0
Common Equity Tier I [= ∑ 6 to 10]	12	**1 997.1**	**2 754.7**	**1 792.0**	**2 678.8**
Tier I	13	1 997.1	2 754.7	1 792.0	2 678.8
Tier II	14	237.6		297.5	7.5
Total own funds	15	**2 234.7**	**2 754.7**	**2 089.5**	**2 686.3**
Risk-weighted assets	16	**16 779.9**	**24 122.1**	**16 505.5**	**24 076.1**
CET1 ratio	17	11.9%	11.4%	10.9%	11.1%
T1 ratio	18	11.9%	11.4%	10.9%	11.1%
Total ratio	19	13.3%	11.4%	12.7%	11.2%

1) Includes additional value adjustments (Delegated Regulation (EU) 2016/101), intangible assets and credit for purchase of shares

Note: the minimum capital requirements (phasing in) established by the ECB for 2017 for consolidated ratios of CET1 and T1 and the total ratio were 9.25%, 9.75% and 11.75%, respectively.

Profitability, efficiency, loan quality and solvency consolidated indicators according to Bank of Portugal Notice 16/2004

	30 Jun. 17 as reported		30 June 17 excl. impact from sale of 2% stake in BFA and deconsolidation	30 Jun. 16 as reported		30 Jun. 16 pro forma1)
Operating income from banking activity and results of equity accounted subsidiaries / ATA	1.7%		2.8%	3.2%		1.9%
Profit before taxation and income attributable to non-controlling interests / ATA	-0.3%		0.7%	1.1%		1.1%
Profit before taxation and income attributable to non-controlling interests / average shareholders' equity (including non-controlling interests)	-4.3%		9.6%	15.3%		15.4%
Personnel costs / Operating income from banking activity and results of equity accounted subsidiaries [1]	46.9%		29.2%	30.8%		40.8%
Overhead costs / Operating income from banking activity and results of equity accounted subsidiaries [2]	80.3%		50.0%	54.0%		69.4%
Loans in arrears for more the 90 days + doubtful loans as % of total gross loans	3.1%			4.0%		
Loans in arrears for more the 90 days + doubtful loans, net of accumulated impairment losses, as a % of total net loans	0.1%			0.0%		
Credit at risk as % of total loans (gross) [3]	3.8%			5.0%		
Credit at risk[3], net of accumulated loan impairments as % of total loans (net)	0.8%			0.9%		
Restructured loans as % of total loans (gross) [4]	6.3%			6.5%		
Restructured loans not included in credit at risk as % of total loans (gross) [4]	4.6%			4.5%		
Total capital ratio	13.3%	5)		11.0%	6)	
Tier 1 ratio	11.9%	5)		11.0%	6)	
Common equity Tier 1 ratio	11.9%	5)		11.0%	6)	
Loans (net) to deposits ratio	106%			87.5%		

Note: In calculating the aforementioned indicators, the Group's perimeter subject to ECB supervision is considered, that is, BPI Vida e Pensões is equity-accounted (whereas in consolidated accounts, according to IAS/IFRS standards, such entity is fully consolidated).

1) The "pro forma" designation reflects the restatement of the BFA contribution to the consolidated profit or loss according to IFRS Standard 5 (See note to the financial statements "1. Financial group").
2) Excluding early retirement costs and changes to plan (personnel costs).
3) Credit at risk corresponds to the sum of: (1) total amount corresponding to instalments on principal or interest accrued overdue for a period greater than or equal to 90 days; (2) total outstanding amount of loans that have been restructured after having been due for a period of 90 days or more, without having adequately increasing collateral (should be sufficient to cover the total value of principal and interest due) or without the debtor having fully paid for interest and other charges due; (3) total value with instalments on principal or interest overdue for less than 90 days, but over which there is evidence justifying classification thereof as credit at risk, particularly bankruptcy or liquidation of the debtor.
4) According to Bank of Portugal Instruction 32/2013.
5) According to CRD IV/CRR phasing in rules applicable in 2017.
6) According to CRD IV/CRR phasing in rules applicable in 2016.

ATM = Average total assets.

Rating

Following the results of the Takeover Bid for Caixabank, the rating agencies reviewed the ratings assigned to Banco BPI in order to reflect the merger of BPI into the Caixabank Group. In the case of Fitch, the long-term rating assigned to BPI is now BBB-, the first level of investment grade and above the Portuguese Republic.

On September 19, rating agency Standard & Poor's upgraded Banco BPI's long-term debt rating from BB+ to BBB-, the first level of investment grade, with stable Outlook. The decision on Banco BPI's rating followed the improvement of the Portuguese Republic rating to investment grade (BBB-), which allowed Banco BPI's rating to be further supported by the shareholder CaixaBank.

BPI currently has investment grade ratings from two agencies – Fitch Ratings and Standard & Poor's.

The Bank's current long-term ratings and respective Outlook are as follows:

- Fitch: BBB-/F3 with positive Outlook;
- S&P: BBB-/A-3 with stable Outlook;
- Moody's: Ba3/Not Prime with stable Outlook.

Banco BPI credit rating

	FitchRatings	STANDARD &POOR'S	MOODY'S
Long Term	BBB-	BBB-	Ba3
Short Term	F3	A-3	Not prime
Outlook	Positive	Stable	Stable
Individual rating	Viability rating bb	Stand-alone credit profile (SACP) bb-	Baseline Credit Assessment b1
Senior collateralised debt			
Mortgage loans			A2
Public sector			A3
Senior non-collateralised debt		BBB-	Ba3
Long term	BBB-		
Short term	F3	A-3	Not prime
Subordinated debt	BB+	BB	B1
Junior subordinated debt			B2
Commercial paper	F3	A-3	Not prime
Other short-term debt	F3	A-3	Not prime

Portuguese Republic sovereign risk [1)]

Long term	BB+	BBB-u	Ba1
Short term	B	A-3u	Not prime
Outlook	Positive	Stable	Positive

Fitch Ratings: rating decision on June 21, 2017. Fitch Ratings revised Outlook from stable to positive and affirmed the credit ratings (LP/CP) at BBB- /F3.

Standard & Poor's: rating decision on September 19, 2017. Standard & Poor's upgraded long-term ratings from BB+ to BBB- and short-term ratings from B to A-3. Outlook is Stable.

Moody's: decision on credit ratings (LP/CP) on March 28, 2012. On January 18, 2017, Moody's reaffirmed credit ratings (LP/CP), increased ratings on subordinated debt, subordinate and preferred shares and reviewed Outlook from Reviewing to Stable.

1) The ratings given by S&P to the Portuguese Republic are unsolicited ("u" – unsolicited).

Banco BPI shares

STOCK MARKET PERFORMANCE

On February 8, 2017, the results of CaixaBank's Takeover Bid for Banco BPI were announced, following which CaixaBank increased its stake in Banco BPI from 45.5% to 84.51%.

The bid (General and Voluntary Takeover Bid) was launched by Caixabank in April 2016 at a price of 1.113 euros per share. On September 21, 2016, the General Meeting had approved the elimination of the statutory limitation on the counting or exercise of voting rights by a single shareholder, which determined the alteration of the nature of the Takeover Bid from voluntary to mandatory, and the revision of the price to 1.134 euros per share.

Since then, with a free float of around 7% and a significantly reduced liquidity (daily average volume of 0.4 M.€ in the 1st quarter 2017 vs. 2.3 M.€ in 2016), the share price of Banco BPI remained relatively stable at around € 1.06 and ended the first half of 2017 at € 1.052 (-7.0% when compared to the end of 2016). The Portuguese PSI 20 index increased 10.1% in the same period and the European banking sector - represented by the DJ Euro Stoxx Banks index - ended the first half with a 7.1% increase.

SHAREHOLDERS

The following table shows the shareholders holding more than 2% of the capital of Banco BPI at 30 June 2017.

Shareholder positions in excess of 2% of the capital of Banco BPI [1]

at 30 June 2017

Shareholders	Number of shares	% capital held
CaixaBank, S.A.	1 231 250 696	84.510%[1,2]
Allianz SE	122 744 370	8.425%[3]

Source: Shareholder positions recorded at 30 June 2017 at the securities clearing house (Central de Valores Mobiliários – CVM), based on the information received from the Central de Valores Mobiliários and public information disclosed to the market.

At June 30, 2017, the share capital of Banco BPI was 1 293 063 324.98 euros, represented by 1 456 924 237 ordinary, nominal dematerialized shares, of no par value. All the shares are admitted to trading on the Euronext market. Codes and tickers - ISIN and Euronext code: PTBPI0AM004; Reuters: BBPI.LS; Bloomberg: BPI PL.

Banco BPI Shares

Selected indicators

	1H17	2016
Banco BPI share price (€)		
Closing price	1.052	1.131
Price change	(7.0%)	3.7%
Maximum price	1.136	1.342
Minimum price	0.781	0.863
Average price	1.038	1.113
Data per share (€)		
Net profit	(0.070)	0.216
Recurring net profit[1)]	0.129	0.224
Book value	1.758	1.681
Weighted average no. of shares (in millions)	1 455.7	1 451.0
Market valuation indicators		
Price / earnings (P/E) (recurring)	8.2	5.0
Price / book value (PBV)	0.6	0.7
Stock market capitalisation (M.€)	1 532.7	1 647.8
Liquidity		
Annual traded value (M.€)	53.1	572.8
Average daily traded value (M.€)	0.4	2.3

1) Excluding costs with early retirements, gain in 2016 due to the revision of the ACT and impact of the sale of 2% of BFA and deconsolidation.

OWN SHARES

In the first half of 2017, the transactions described below were carried out in the portfolio of Banco BPI's own shares, for the purpose of executing the variable-remuneration scheme (Portuguese initials RVA) for employees and executive directors. As at 30 June 2017, Banco BPI held 150 896 own shares (0.01% of the capital).

Treasury shares transactions in the first half of 2017

Amount and price in euros

Banco BPI	No. of shares	Value	Average price	% of share capital
As at 31 Dec. 16[4]	**5 227 514**			**0.36%**
Over the counter purchase	485 190	550 019	1.134	0.03%
Over the counter sale	5 488 981	6 220 334	1.133	0.38%
Stock exchange sale	72 827	82 156	1.128	0.00%
Total	**6 046 998**			**0.42%**
As at 30 Jun. 17	**150 896**			**0.01%**

1) The Shareholders at the General Meeting of 21 September 2016 approved the elimination of the statutory rule then in force limiting the counting of votes.
2) The stake held through CaixaBank, S.A. is also attributable to Criteria Caixa, SAU, which held 40% of CaixaBank, S.A.'s voting rights on 30 June, 2017, which in turn is wholly owned by Fundación Fundación Bancaria la Caixa.
3) Indirect shareholding held by subsidiaries controlled by Allianz SE, the Allianz Group's holding company, and imputable to that entity in terms of article 20(1)(b) of the SC: direct shareholding of 8.275% held by Allianz Europe Ltd. (100% held by Allianz SE) and direct shareholding of 0.150% held by Companhia de Seguros Allianz Portugal (65% held by Allianz SE).

4) The balance of own shares at the end of December 2016 does not include:
- 168,917 shares attributed under resolving conditions under the RVA but not yet made available. The transfer of ownership of the shares attributed under the RVA program is fully carried out on the date of attribution, but the availability is dependent on the permanence of the Employees in the BPI Group, therefore, for accounting purposes, the shares remain in the Banco BPI up to the date of availability.
- 148 538 shares held in the capitalization insurance asset portfolios unit links managed by BPI Vida e Pensões.

Annex

ADOPTION OF THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND THE COMMITTEE OF EUROPEAN BANKING SUPERVISORS ON THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

The Bank of Portugal, through the circular-letters 97 / 08 / DSBDR of 3 December 2008 and 58 / 09 / DSBDR of 5 August 2009, has recommended that, in the accounting reporting, a separate chapter or a specific annex is prepared as part of the Annual and Interim Reports, designed to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to the Bank of Portugal's circular-letter 46 / 08 / DSBDR.
In order to comply with the Bank of Portugal's recommendation, the present chapter provides a response to the aforesaid questionnaire, using cross-references to the more detailed information presented in the Report and Accounts for the first half of 2017.

Recommendation Summary	References to the Report and Accounts for the first half of 2017
I. BUSINESS MODEL	
1. Description of the business model	***RG*** – *Financial structure and business, p. 6.*
2. Description of strategies and objectives	***RG*** – *Summary of first half 2017 results, p. 5; Financial review, p. 13.*
3. Description of the importance of the operations carried out and the respective contribution to business	***RG*** – *Financial structure and business, p. 6; Financial review, p. 13;* ***NDF*** – *3. Segment Reporting, p. 72.*
4. Description of the type of activities undertaken	
5. Description of the objective and extent of the institution's involvement relating to each activity undertaken.	
II. RISK AND RISK MANAGEMENT	
6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments utilised	***RG*** – *Financial review, p. 13;* ***NDF*** – *4.47. Financial Risks, p. 169 and following;* ***RG 2016*** – *Risk management, p. 122.*
7. Description of major risk-management practices in operations	***NDF*** – *4.47. Financial Risks, p. 169 and following;* ***RG 2016*** – *Risk management, p. 122;* ***RGov 2016***– *C. Internal organization, III. Internal Control and Risk Management, p. 418.*
III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS	
8. Qualitative and quantitative description of the results	***RG*** – *Financial review, p. 13.*
9. Breakdown of the "write-downs" / losses by types of products and instruments affected by the period of turbulence	***NDF*** – *4.5. Financial assets available for sale, p. 85, 4.7. Loans and advances to Customers, p. 92, 4.21. Provisions and Impairment losses, p. 127, 4.39. Net income on financial operations, p. 156; 4.47 Financial Risks, p. 169.*
10. Description of the reasons and factors responsible for the impact suffered	***RG*** – *Financial review, p. 13; Background to operations, p. 10.*
11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period	***RG*** – *Financial review, p. 13.*
12. Breakdown of the write-downs between realised and unrealised amounts	***RG*** – *Financial review, p. 13;* ***NDF*** – *4.5. Financial assets available for sale, p. 85; 4.7. Loans and advances to Customers, p. 92; 4.39. Net income on financial operations, p. 156 and 4.21. Provisions and Impairment losses, p. 127.*
13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares	***RG*** – *Banco BPI Shares, p.* 37.
14. Disclosure of the maximum loss risk	***RG*** – *Financial review, p. 13.* ***NDF*** – *4.47. Financial Risks, p. 169 and following*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	***RG*** – *Financial review, p. 13.* *The Bank did not revalue its liabilities.*

IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD	
16. Nominal value (or amortised cost) and fair value of exposures	***NDF*** *– 4.47. Financial Risks, p. 169 and following and 4.5 Financial assets available for sale, p. 85.*
17. Information about credit risk mitigation and respective effects on existing exposures	***RG*** *– Financial review, p. 13;* ***NDF*** *– 4.47. Financial Risks, p. 169*
18. Detailed disclosure of exposures	***RG*** *– Financial review, p. 13;* ***NDF*** *– 4.47. Financial Risks, p. 169 and following and 4.5 Financial assets available for sale, p. 85 and 4.7. Loans and advances to Customers, p. 92.*
19. Movements which occurred in the exposures between the relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)	***RG*** *– Financial review, p. 13.* ***NDF*** *– 4.7. Loans and advances to Customers, p. 92.*
20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons	*The BPI Group consolidates all exposures in which it has control or significant influence, as provided for in IFRS 10, 11, IAS 28, IFRS 3 and IFRS 5. No changes were made to the BPI Group's consolidation scope as a consequence of the turbulent period in the financial markets.*
21. Exposure to "mono-line" insurers and quality of insured assets	*At 30 June 2017, BPI had no exposure to monoline insurers.*
V. ACCOUNTING AND VALUATION POLICIES	
22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment	***NDF*** *– 2.3. Financial assets and liabilities, p. 56; 2.3.3. Financial assets available for sale, p. 57; 2.3.4. Loans and other receivables, p. 58; 4.20. Financial liabilities relating to transferred assets, p. 126.*
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the turbulent period	*The vehicles through which Banco BPI's debt securitisation operations are effected are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity interest held of the respective vehicles.*
24. Detailed disclosure of the fair value of financial instruments	***NDF*** *– 4.47. Financial Risks, p. 169 and following*
25. Description of the modelling techniques utilised for valuing financial instruments	***NDF*** *– 2.3. Financial assets and liabilities, p. 56 and 4.47. Financial Risks, p. 169 and following*
VI. OTHER IMPORTANT DISCLOSURE ASPECTS	
26. Description of disclosure policies and principles which are used in financial reporting	***RGov 2016*** *– C. Internal organization, IV. Investor Support, p. 421*

RG - Management Report; **NDF** - Notes to the Financial Statements; **RG 2016** - Management Report for 2016; **RGov 2016** - BPI Group Government Report for 2016.

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority or ESMA published on 5 October 2015 a set of guidelines relating to the disclosure of Alternative Performance Measures by entities (ESMA/2015/1415). These guidelines are to be applied obligatorily with effect from 3 July 2016.

BPI utilises a number of indicators when analysing performance and financial position, which are classified as Alternative Performance Indicators, in accordance with the abovementioned ESMA guidelines.

The information relating to those indicators has already been the object of disclosure, as required by the ESMA guidelines.

In the present report, the information previously disclosed is inserted by way of cross-reference. A summarised list of the Alternative Performance Indicators is presented next.

EARNINGS, EFFICIENCY AND PROFITABILITY INDICATORS

Financial margin (RCL) = Financial margin (narrow sense) + Technical result of insurance contracts + Net commissions relating to amortised cost

Net commissions income (RCL) = Net commissions income + Gross margin on unit links

Operating income from banking activity (RCL) = Financial margin (RCL) + Income from equity instruments (RCL) + Net commissions income (RCL) + Earnings of associated companies (equity method) (RCL) + Net income on financial operations + Operating income and expenses

Commercial banking income = Financial margin (RCL) + Income from equity instruments (RCL) + Net commissions income (RCL) + Earnings of associated companies (equity method) (RCL) excluding the contribution of stakes in African banks

Overhead costs = Personnel costs + General administrative expenses + Depreciation and amortisation

Adjusted overhead costs = Personnel costs excluding cost with early retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) + General administrative expenses + Depreciation and amortisation

Net operating income before impairments and provisions (RCL) = Operating income from banking activity (RCL) - Overhead costs

Net income before income tax (RCL) = Net operating income before impairments and provisions (RCL) + Recovery of loans, interest and expenses - Impairment losses and provisions for loans and guarantees, net - Impairment losses and other provisions, net

Cost-to-income ratio (efficiency ratio) 1) = Overhead costs / Operating income from banking activity (RCL)

Adjusted overhead costs-to-commercial banking income 1) = Overhead costs, excluding costs with early-retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) / Commercial banking income

Return on Equity (ROE) 1) = Net income for the period / Average value in the period of shareholders' equity attributable to BPI shareholders after deduction of the fair value reserve (net of deferred taxes) related to financial assets available for sale

Return on Tangible Equity (ROTE) 1) = Net income for the period / Average value in the period of shareholders' equity attributable to BPI shareholders after deduction of intangible net assets.

Return on Assets (ROA) 1) = (Net income attributable to BPI shareholders + Income attributable to non-controlling interests - preference shares dividends paid) / Average value in the period of net total assets

Unitary intermediation margin = Loan portfolio average interest rate - Deposits average interest rate

Note:
The term "RCL" or "Reclassified captions" identifies income and costs captions that have been reclassified in this report, and repositioned in the structure of the income statement according to the format used by CaixaBank (BPI's consolidating entity). The underlying accounting criteria were not affected by the change in the format adopted.

1) Ratio refers to the last 12 months, except when indicated otherwise.
The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

BALANCE SHEET AND FUNDING INDICATORS

On-balance sheet Customer resources = Deposits + Capitalisation insurance and others

Note: The amount of on-balance sheet Customer resources is not deducted from the applications of off-balance sheets products (mutual funds and pension plans) in on-balance sheet products.

Being:

- Deposits = Demand deposits and other + Term and savings deposits + Accrued interest + Bonds placed with customers (Fixed / variable rate bonds and structured products placed with Customers + Deposits certificates + Subordinated bonds placed with Customers)
- Capitalisation insurance and others = Unit links insurance capitalisation + "Aforro" capitalisation insurance and others (Technical provisions + Guaranteed rate and guaranteed retirement insurance capitalisation) + Participating units in consolidated mutual funds

Assets under management = Mutual funds + Pension plans

Note: Amounts deducted from participating units in the Group banks' portfolios and from off-balance sheet products investments (mutual funds and pension plans) in other off-balance sheet products.

- Mutual funds = Unit trust funds + Real estate investment funds + Retirement-savings and equity-savings plans (PPR and PPA) + Hedge funds + Funds assets under BPI Suisse management + Third-party unit trust funds placed with Customers
- Pension plans = pension plans under BPI management (includes pension plans of BPI Group)

Subscriptions in public offerings = Customers subscriptions in third parties' public offerings

Total Customer Resources = On-balance sheet Customer Resources + Assets under management + Subscriptions in public offerings

Loan-to-deposit ratio = Net loans to Customers / Customer deposits

ASSET QUALITY INDICATORS

Impairments for loans and guarantees as % of the loan portfolio 1)= Impairment losses and provisions for loans and guarantees, net / Average value in the period of the performing loan portfolio

Cost of credit risk as % of the loan portfolio 1)= (Impairment losses and provisions for loans and guarantees, net - Recovery of loans, interest and expenses) / Average value in the period of the performing loan portfolio

Performing loans portfolio = Gross customer loans - (Overdue loans and interest + Receivable interests and other)

Credit at risk ratio (**consolidation perimeter IAS / IFRS**) = Credit at risk / Gross loan portfolio

Note: the consolidated financial information prepared in accordance with IAS / IFRS rules is used in the calculation of the indicator.
For the disclosure of the indicators defined in Bank of Portugal Instruction 16/2004, the Bank of Portugal's supervision perimeter is considered in their calculation, which, in the case of BPI, implies that BPI Vida e Pensões be recognised through the equity method (whereas under IAS / IFRS accounting rules that company is fully consolidated).

Change in credit at risk, adjusted for write-offs and sales of loans = Balance of credit at risk at the end of the period - Balance of credit at risk at the beginning of the period + Write-offs and adjustment for the sale of loans in the period

Change in credit at risk, adjusted for write-offs and sales of loans as % of the loan portfolio[1)] = Change in credit at risk, adjusted for write-offs and sales of loans / Average value in the period of the performing loan portfolio

Coverage of credit at risk by impairments = (Loan impairments + Impairments and provisions for guarantees and commitments) / Credit at risk

Coverage of credit at risk by impairments and associated collateral = (Loan impairments + Impairments and provisions for guarantees and commitments + Collateral associated to credit) / Credit at risk

Non performing loans ratio = Non performing loans (CaixaBank criteria) / (Gross customer loans + guarantees)

Non performing loans coverage ratio = (Loans impairments + Impairments and provisions for guarantees and commitments) / Non performing loans (CaixaBank criteria)

Coverage of non performing loans by impairments and associated collateral = (Loans impairments + Impairments and provisions for guarantees and commitments + Collateral associated to credit) / Non performing loans (CaixaBank criteria)

Impairments cover of foreclosed properties = Impairments for real estate received in settlement of defaulting loans / Gross value of real estate received in settlement of defaulting loans

1) Ratio refers to the last 12 months, except when indicated otherwise. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, the cases in which it will be clearly marked.

MARKET INDICATORS

Earnings per share (EPS) = Net income / Weighted average no. of shares in the period (basic or diluted)

The earnings per shares (basic or diluted) is calculated in accordance with IAS 33 - Earnings per share.

Cash-flow after taxes (CF per share or CFPS) = Cash-flow after taxes / Weighted average no. of shares in the period.
Note: the denominator corresponds to the weighted average no. of shares used in the calculation of earnings per share (basic or diluted).

Book value per share (BV per share or BVPS) = Shareholders' equity attributable to BPI shareholders / No. of shares at the end of the period
Note: the denominator corresponds to the outstanding number of shares after deducting the treasury stocks portfolio and is adjusted for capital increases, whether by incorporation of reserves (bonus issue) or subscription reserved for shareholders (rights issue), amongst other events, in a similar way to the calculation of earnings per share.

Price to earnings ratio (PER) = Stock market share price / Earnings per share (EPS)

Price to cash flow (PCH) = Stock market share price / Cash-flow after taxes (CFPS)

Price to book value (PBV) = Stock market share price / Book value per share (BVPS)

Earnings yield = Earnings per share (EPS) in the year / Stock market share price (at beginning or end of the year)

Dividend yield = Dividend per share relating to the year / Stock market share price (at beginning or end of the year)

Banco BPI, S.A.

Interim consolidated financial statements as of June 30, 2017 and 2016

BANCO BPI, S.A.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

(Translation of statements of income originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 17 Amounts before impairment, depreciation and amortisation	Jun. 30, 17 Impairment, depreciation and amortisation	Jun. 30, 17 Net	Dec. 31, 16 Net
ASSETS					
Cash and deposits at central banks	4.1	983 403		983 403	876 621
Deposits at other credit institutions	4.2	300 027		300 027	300 190
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	2 409 731		2 409 731	2 197 913
Financial assets available for sale	4.5	3 882 030	102 760	3 779 270	3 876 434
Loans and advances to credit institutions	4.6	744 557		744 557	637 607
Loans and advances to customers	4.7	23 493 954	674 108	22 819 846	22 735 758
Held to maturity investments	4.8	14 415		14 415	16 317
Hedging derivatives	4.4	20 437		20 437	25 802
Non-current assets held for sale and discontinued operations	4.9				6 295 910
Other tangible assets	4.10	428 187	384 487	43 700	50 955
Intangible assets	4.11	122 797	98 055	24 742	25 629
Investments in associated companies and jointly controlled entities	4.12	674 957		674 957	175 678
Tax assets	4.13	472 824		472 824	471 848
Other assets	4.14	486 289	22 794	463 495	597 990
Total Assets		**34 033 608**	**1 282 204**	**32 751 404**	**38 284 652**

	Notes	Jun. 30, 17	Dec. 31, 16
LIABILITIES			
Resources of central banks	4.15	2 145 381	2 000 011
Financial liabilities held for trading	4.16/4.4	185 786	212 713
Resources of other credit institutions	4.17	1 624 144	1 096 439
Resources of customers and other debts	4.18	22 335 470	21 967 681
Debt securities	4.19	268 891	506 770
Financial liabilities relating to transferred assets	4.20	511 425	555 385
Hedging derivatives	4.4	77 964	97 756
Non-current liabilities held for sale and discontinued operations	4.9		5 951 398
Provisions	4.21	68 791	70 235
Technical provisions	4.22	1 923 575	2 048 829
Tax liabilities	4.23	67 091	22 006
Other subordinated debt and participating bonds	4.24	373 832	69 500
Other liabilities	4.25	606 736	777 404
Total Liabilities		**30 189 086**	**35 376 127**
SHAREHOLDERS' EQUITY			
Subscribed share capital	4.27	1 293 063	1 293 063
Other equity instruments	4.28	1 722	4 309
Revaluation reserves	4.29	(11 850)	(21 514)
Other reserves and retained earnings	4.30	1 379 731	1 044 319
(Treasury shares)	4.28	(377)	(10 809)
Other accumulated comprehensive income related to discontinued operations	4.9		(182 121)
Consolidated net income of the BPI Group	4.45	(101 725)	313 230
Shareholders' equity attributable to the shareholders of BPI		**2 560 564**	**2 440 477**
Non-controlling interests	4.31	1 754	468 048
Total Shareholders' Equity		**2 562 318**	**2 908 525**
Total Liabilities and Shareholders' Equity		**32 751 404**	**38 284 652**

	Notes	Jun. 30, 17	Dec. 31, 16
OFF BALANCE SHEET ITEMS			
Guarantees given and other contingent liabilities	4.32	1 412 233	1 466 208
Of which:			
[Guarantees and sureties]		[1 245 023]	[1 294 856]
[Others]		[167 210]	[171 352]
Commitments	4.32	3 224 249	3 392 479

The accompanying notes form an integral part of these balance sheets.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016 PROFORMA

(Translation of statements of income originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 17	Jun. 30, 16 Proforma
Interest and similar income		228 318	273 137
Interest and similar expenses		(45 988)	(94 204)
Financial margin (narrow sense)	4.33	**182 330**	**178 933**
Gross margin on unit links	4.34	6 434	7 051
Income from equity instruments	4.35	6 401	3 910
Net commission relating to amortised cost	4.36	10 344	10 558
Financial margin		**205 509**	**200 452**
Technical result of insurance contracts	4.37	7 437	13 495
Commissions received		132 243	126 117
Commissions paid		(14 825)	(15 355)
Other income, net		14 478	14 192
Net commission income	4.38	**131 896**	**124 954**
Gain and loss on operations at fair value		14 375	(629)
Gain and loss on assets available for sale		776	24 455
Interest and financial gain and loss with pensions		(409)	1 328
Net income on financial operations	4.39	**14 742**	**25 154**
Operating income		22 012	9 099
Operating expenses		(207 616)	(25 414)
Other taxes		(5 434)	(3 236)
Operating income and expenses	4.40	**(191 038)**	**(19 551)**
Operating income from banking activity		**168 546**	**344 504**
Personnel costs	4.41	(241 965)	(152 276)
General administrative costs	4.42	(85 713)	(93 675)
Depreciation and amortisation	4.10/4.11	(11 003)	(10 809)
Overhead costs		**(338 681)**	**(256 760)**
Recovery of loans, interest and expenses		9 088	7 160
Impairment losses and provisions for loans and guarantees, net	4.21	(16 583)	(35 775)
Impairment losses and other provisions, net	4.21	2 967	(33 868)
Net income before income tax		**(174 663)**	**25 261**
Income tax	4.43	(47 749)	(22 473)
Earnings of associated companies (equity method)	4.44	120 711	21 357
Net income from continuing operations		**(101 701)**	**24 145**
Net income from discontinued operations	4.9		163 857
Income attributable to non-controlling interests from continuing operations	4.31	(24)	(23)
Income attributable to non-controlling interests from discontinued operations	4.9		(82 049)
Income attributable to non-controlling interests		**(24)**	**(82 072)**
Consolidated net income of the BPI Group	4.45	**(101 725)**	**105 930**
Earnings per share (in Euro)			
Basic	4.45	(0.070)	0.073
Diluted	4.45	(0.070)	0.073
Earnings per share from continuing operations (in Euro)			
Basic	4.45	(0.070)	0.017
Diluted	4.45	(0.070)	0.017
Earnings per share from discontinued operations (in Euro)			
Basic	4.45		0.056
Diluted	4.45		0.056

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016 PROFORMA

(Translation of statements originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Jun. 30, 17			Jun. 30, 16 Proforma		
	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total
Consolidated net income	**(101 725)**	**24**	**(101 701)**	**105 930**	**82 072**	**188 002**
Income not included in the consolidated statements of income related to continued operations:						
Items that will not be reclassified to net income						
Actuarial deviations	32 763		32 763	(126 009)		(126 009)
Tax effect	(9 538)		(9 538)	34 600		34 600
	23 225		**23 225**	**(91 409)**		**(91 409)**
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences						
Transfer to income	182 121		182 121			
Foreign exchange differences	3 925		3 925	(20 247)		(20 247)
Tax effect	4		4			
Revaluation reserves of financial assets available for sale:						
Revaluation of financial assets available for sale	10 236		10 236	(18 797)		(18 797)
Tax effect	(4 399)		(4 399)	4 179		4 179
Transfer to income resulting from sales	(421)		(421)	(22 340)		(22 340)
Tax effect	118		118	6 128		6 128
Transfer to income resulting from impairment recognized in the period	272		272	24 787		24 787
Tax effect	(71)		(71)	(6 792)		(6 792)
Valuation of assets of associated companies	2 593		2 593	(444)		(444)
Tax effect	(702)		(702)	(174)		(174)
	193 676		**193 676**	**(33 700)**		**(33 700)**
Income not included in the consolidated statements of income related to discontinued operations						
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences				(87 804)	(88 576)	(176 380)
Income not included in the consolidated statements of income	**216 901**		**216 901**	**(212 913)**	**(88 576)**	**(301 489)**
Consolidated comprehensive income	**115 176**	**24**	**115 200**	**(106 983)**	**(6 504)**	**(113 487)**

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS´ EQUITY FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016 PROFORMA

(Translation of statements originally in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Subscribed share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Treasury shares	Other accumulated comprehensive income related to discontinued operations	Net income	Non-controlling interests	Shareholders' equity
Balance at December 31, 2015	**1 293 063**	**5 194**	**(87 564)**	**972 587**	**(12 797)**		**236 369**	**428 647**	**2 835 499**
Other accumulated comprehensive income related to discontinued operations at December 31, 2015			94 276			(94 276)			
Appropriation of net income for 2015 to reserves				236 369			(236 369)		
Dividends paid on preference shares								(22)	(22)
Dividends paid to non-controlling interests								(40 775)	(40 775)
Variable Remuneration Program (RVA)		(818)		(194)	1 283				271
Other comprehensive income related to discontinued operations			87 804			(87 804)			
Comprehensive income for 2016			(120 886)	(92 027)			105 930	(6 504)	(113 487)
Other				(1 336)					(1 336)
Balance at June 30, 2016 proforma	**1 293 063**	**4 376**	**(26 370)**	**1 115 399**	**(11 514)**	**(182 080)**	**105 930**	**381 346**	**2 680 150**
Dividends paid on preference shares								(21)	(21)
Dividends paid to non-controlling interests									
Variable remuneration in shares (RVA)		(67)		(343)	705				295
Sale of preference shares								(30)	(30)
Other comprehensive income related to disccontinued operations						(41)		(88 616)	(88 657)
Comprehensive income in 2016			4 856	(70 442)			207 300	175 369	317 083
Other				(295)					(295)
Balance at December 31, 2016	**1 293 063**	**4 309**	**(21 514)**	**1 044 319**	**(10 809)**	**(182 121)**	**313 230**	**468 048**	**2 908 525**
Appropriations of net income for 2016 to reserve				313 230			(313 230)		
Dividends paid on preference shares								(20)	(20)
Variable Remuneration Program (RVA)		(2 587)		(2 923)	10 432				4 922
Sale / acquistion of preference shares								(24)	(24)
Change in consolidation method of the participation in Banco Fomento Angola								(466 274)	(466 274)
Comprehensive income for the first half of 2017			9 664	25 116		182 121	(101 725)	24	115 200
Other				(11)					(11)
Balance at June 30, 2017	**1 293 063**	**1 722**	**(11 850)**	**1 379 731**	**(377)**		**(101 725)**	**1 754**	**2 562 318**

The accompanying notes form an integral part of these statements.

The Accountant **The Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016 PROFORMA

(Translation of statements originally in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Jun. 30, 17	Jun. 30, 16 Proforma		
	Total	Continued operations	Discontinued operations	Total
Operating activities				
Interest, commissions and other income received	588 026	690 971	241 528	932 499
Interest, commissions and other expenses paid	(321 951)	(419 660)	(63 952)	(483 612)
Recovery of loans and interest in arrears	9 088	7 160	1 136	8 296
Payments to personnel and suppliers	(283 402)	(262 019)	(80 513)	(342 532)
Net cash flow from income and expenses	(8 239)	16 452	98 199	114 651
Decrease (increase) in:				
Financial assets held for trading, available for sale and held to maturity	(88 183)	418 509	93 681	512 190
Loans and advances to credit institutions	(107 147)	(120 072)	357 567	237 495
Loans and advances to customers	(110 738)	52 048	216 335	268 383
Other assets	225 581	90 852	6 015	96 867
Net cash flow from operating assets	(80 487)	441 337	673 598	1 114 935
Increase (decrease) in:				
Resources of central banks and other credit institutions	47 073	520 513	(115 627)	404 886
Resources of customers	256 452	(601 277)	(767 283)	(1 368 560)
Financial liabilities held for trading	(26 926)	(6 811)	(363)	(7 174)
Other liabilities	(81 704)	(178 352)	(6 912)	(185 264)
Net cash flow from operating liabilities	194 895	(265 927)	(890 185)	(1 156 112)
Contributions to the Pension Funds	(84 355)	(1 643)		(1 643)
Income tax paid	(17 526)	(48 230)	(13 483)	(61 713)
	4 288	**141 989**	**(131 871)**	**10 118**
Investing activities				
Sale of 2% participation of Banco de Fomento Angola	28 000			
Purchase of other tangible assets and intangible assets	(5 220)	(1 750)	(6 168)	(7 918)
Sale of other tangible assets		5		5
Dividends received of Banco de Fomento Angola	38 864			
Dividends received and other income	19 292	22 825		22 825
	80 936	**21 080**	**(6 168)**	**14 912**
Financing activities				
Liability for assets not derecognised	(43 952)	(31 905)		(31 905)
Issuance of debt securities and subordinated debt	307 270	14 215		14 215
Redemption of debt securities	(244 335)	(478 522)		(478 522)
Purchase and sale of own debt securities and subordinated debt	(1 102)	(6 112)		(6 112)
Purchase and sale of preference shares	(25)			
Interest on debt securities and subordinated debt	(1 362)	(7 125)		(7 125)
Dividends paid on preference shares	(20)	(22)		(22)
Dividends paid to non-controlling interests			(40 775)	(40 775)
Purchase and sale of treasury shares	4 921	269		269
	21 395	**(509 202)**	**(40 775)**	**(549 977)**
Net increase (decrease) in cash and equivalents	**106 619**	**(346 133)**	**(178 814)**	**(524 947)**
Cash and equivalents at the beginning of the period	1 176 811	1 432 162	1 908 074	3 340 236
Cash and equivalents at the end of the period	**1 283 430**	**1 086 029**	**1 729 260**	**2 815 289**

Cash and deposits at central banks	983 403	782 901	1 618 157	2 401 058
Deposits at other credit institutions	300 027	303 128	111 103	414 231
Cash and equivalents	**1 283 430**	**1 086 029**	**1 729 260**	**2 815 289**

Cash and equivalents by currencies				
EUR	1 225 339	1 034 320	7 778	1 042 098
USD	22 969	10 512	309 778	320 290
AKZ			1 411 160	1 411 160
Other currencies	35 122	41 197	544	41 741
Cash and equivalents	**1 283 430**	**1 086 029**	**1 729 260**	**2 815 289**

The accompanying notes form an integral part of these statements.

The Accountant
Alberto Pitôrra

The Board of Directors
Presidente Pablo Forero
Vogais Alexandre Lucena e Vale
António Farinha de Morais
Francisco Manuel Barbeira
Ignacio Alvarez-Rendueles
João Oliveira e Costa
José Pena do Amaral
Pedro Barreto

Banco BPI, S.A.

Notes to the interim consolidated financial statements as of June 30, 2017 and 2016

(Unless otherwise indicated, all amounts are expressed in thousands of Euro – t. euro)

(These notes are a translation of notes originally issued in Portuguese – Note 5)

1. THE FINANCIAL GROUP

Banco BPI is the central entity of a multi-specialised financial group dedicated to banking, which provides a broad range of banking services and products to companies, institutional investors and private individuals. Banco BPI has been listed on the Stock Exchange since 1986.

The BPI Group started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L.. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On November 30, 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI - SGPS, S.A., which operated exclusively as the BPI Group's holding company. On December 20, 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A..

In the context of its public tender offer for the acquisition of all outstanding shares of Banco BPI, on February 8, 2017 (date of the "Regulated Market Special Session" conducted to announce the result of the public tender offer), CaixaBank acquired shares representative of 39.01% of Banco BPI voting rights. Considering CaixaBank previously owned 45,5%, its overall share ownership reached 84.51% of Banco BPI's voting rights. From February 2017, Banco BPI is included in the CaixaBank Group consolidation perimeter, and its financial statements are consolidated in accordance with the full consolidation method.

On October 2016, Banco BPI, S.A. entered into an agreement for the sale of 2% of the share capital of Banco de Fomento Angola, S.A. (BFA), which was concluded on January 5, 2017. Following the reduction in the Group's participation in BFA from 50.1% to 48.1%, and the application of the new Shareholders' Agreement, BFA is no longer consolidated in accordance with the full consolidation method, as determined by IFRS 10. Since January 2017, BFA is consolidated by using the equity method of accounting. In the end of 2016 BFA's operations were classified as discontinued operations, in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, with the comparative balances of the Consolidated Statements of Income and Profit or Loss and Other Comprehensive Income as of June 30, 2016 being restated. Also in accordance with IFRS 5, BFA's total assets and liabilities as of December 31, 2016 are presented in the captions "Non-current assets held for sale and discontinued operations" and "Non-current liabilities held for sale and discontinued operations".

In the first half of 2016 Banco BPI ceased having control over BPI Strategies, Ltd, as defined by IFRS 10, as it holds less than 20% of the participating units of the fund. For this reason, consolidation in accordance with the full consolidation method was terminated for the fund BPI Strategies, Ltd..

In the second half of 2016, Banco BPI ceased having control over BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações, as defined by IFRS 10, as it holds less than 20% of the participating units of the fund. For this reason, consolidation in accordance with the full consolidation method was terminated for the fund BPI Obrigações Mundiais.

In the first half of 2017, Banco BPI ceased having control over BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux), as defined by IFRS 10, as it holds less than 20% of the participating units of the fund. For this reason, consolidation in accordance with the full consolidation method was terminated for the fund BPI Alternative Fund.

The vehicles through which the Bank's loan securitisation operations are carried out are recorded in the consolidated financial statements in accordance with the BPI Group's continuing involvement in these operations, based on the percentage held of the equity piece of the corresponding vehicles. As of June 30, 2017 and 2016, the BPI Group held 100% of the equity pieces of these vehicles and so they were consolidated in accordance with the full consolidation method.

At June 30, 2017, the BPI Group was made up of the following companies:

	Head Office	Shareholder´s Equity [2]	Total Assets	Net Income (loss) for the year	Direct Participation	Effective Participation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 947 302	32 827 384	106 383			
Banco Português de Investimento, S.A.	Portugal	24 782	31 020	(2 574)	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	179 680	2 282 006	16 462	30.00%	30.00%	Equity method
Banco de Fomento Angola, S.A.	Angola	1 023 003	7 089 083	222 882	48.09%	48.10%	Equity method
Banco BPI Cayman, Ltd.	Cayman Islands	164 816	290 550	5 266		100.00%	Full consolidation
Asset management							
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A	Portugal	10 382	21 648	1 728	100.00%	100.00%	Full consolidation
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	1 621	4 290	1 020	100.00%	100.00%	Full consolidation
BPI (Suisse), S.A.	Switzerland	13 433	13 668	1 599	100.00%	100.00%	Full consolidation
Venture Capital							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	31 986	38 535	41	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	1 036	1 422	(102)		49.00%	Equity method
Insurance							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	116 719	4 272 681	5 818	100.00%	100.00%	Full consolidation
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	44 193	109 450	2 772	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	179 639	1 226 820	11 191	35.00%	35.00%	Equity method
Other							
BPI Capital Finance Ltd.[1]	Cayman Islands	1 814	1 824	24	100.00%	100.00%	Full consolidation
BPI Capital Africa (Proprietary) Limited	South Africa	154	707	(1 290)		100.00%	Full consolidation
BPI, Inc.	U.S.A	744	745	(4)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	143 415	151 460	(10 130)	100.00%	100.00%	Full consolidation
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	355	1 225	(22)	98.74%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	77 247	325 484	11 004	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of June 30, 2017 (accounting balances before consolidation adjustments). The financial statements of subsidiaries, associates and jointly controlled entities are pending approval by their respective governing bodies. However, the Board of Directors of Banco BPI believes that there will be no changes with significant impact on the consolidated net income of the Bank.

[1] Share capital is made up of 5 000 ordinary shares of 1 Euro each, and 1 786 000 non-voting preference shares of 1 Euro each. Considering the total share capital of the company, the effective participation of the BPI Group in this company corresponds to 0.28%.

[2] Includes net income for the period.

2. BASIS OF PRESENTATION AND MAIN ACCOUTING POLICIES

A) BASIS OF PRESENTATION

The consolidated financial statements were prepared from the accounting records of Banco BPI and its subsidiary and associated companies in conformity with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Union in accordance with Regulation (EC) 1606/2002 of July 19 of the European Parliament and Council, incorporated into Portuguese legislation through Bank of Portugal Notice 1/2005 of February 21.

The consolidated financial statements have been prepared on a going concern basis, as provided for in IAS 1 – Presentation of financial statements.

The consolidated financial statements as of June 30, 2017 were approved by the Executive Commission of the Board of Directors on September 26, 2017.

Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union.

During the six month period ended on June 30, 2017 no new standards, interpretations, amendments or revisions, endorsed by the European Union with mandatory application on this date were issued by IASB or IFIRC or entered in to force.

As of June 30, 2017, the following standards (new and revised) and interpretations, already adopted by the European Union, were available for early adoption:

- IFRS 9 - Financial instruments (and subsequent amendments): this standard, initially published by the IASB on November 2009 and subsequently republished on July 2014, is included in the review project of IAS 39 and establishes the new requirements for classification and measurement of financial assets and liabilities, for the methodology of impairment calculation and for the application of the hedge accounting rules. It is of mandatory application for years beginning on or after January 1, 2018.

- IFRS 15 – Revenue from contracts with customers: this standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts with clients, replacing IAS 18 - Revenue, IAS 11 - Construction Contracts, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue – Barter transactions involving advertising services. It is of mandatory application for years beginning on or after January 1, 2018.

These standards, although endorsed by the European Union, were not adopted by the BPI Group as of June 30, 2017, as their application is not yet mandatory.

In order to adopt IFRS 9, a multidisciplinary team was set up in 2015 at Banco BPI, combining members from different departments and management bodies of the Bank. Following the conceptual design of methodologies and processes, the Bank is in an implementation phase for the complete and timely adoption of the IFRS 9. The Bank considers advisable that disclosure of quantitative impacts should be made available only when the work development allows it to obtain stable and reliable estimates (Note 4.47).

Up to the date of approval of these financial statements, the following standards (new and revised) and interpretations were not yet endorsed by the European Union:

- IFRS 14 – Regulatory deferral accounts: This standard establishes reporting requirements by entities that first adopt IFRSs applicable to regulated assets. It is mandatory for annual reporting periods beginning on or after January 1, 2016.

- IFRS 16 – Leases: This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 – Leases. The standard defines a singles accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases of assets with reduced value. Lessor's will continue to classify leases as operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17. It is mandatory for annual reporting periods beginning on or after January 1, 2019.

- IFRS 17 – Insurance Contracts: This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts covered by the scope of the standard. The purpose of IFRS 17 is to ensure that entities provide relevant information that represents these insurance contracts in a reliable manner, giving the users of the financial statements information to assess the effects of insurance contracts on the entities' financial position, performance and cash-flows. It is mandatory for annual reporting periods beginning on or after January 1, 2021.

- IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates (amendments): These amendments eliminate a conflict between both standards, related to the sale or contribution of assets between the investor and the associate or between the investor and the joint venture.

- IAS 12 – Income tax (amendments): These amendments clarify the conditions for recognition and measurements of tax assets resulting from unrealized losses. It is mandatory for annual reporting periods beginning on or after January 1, 2017.

- IAS 7 – Statement of cash flows (amendments): These amendments introduce additional disclosures related to the cash-flows from financing activities. It is mandatory for annual reporting periods beginning on or after January 1, 2017.

- IFRS 15 – Revenue from contracts with customers (amendments): These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics. It is mandatory for annual reporting periods beginning on or after January 1, 2018.

- IFRS 2 – Share-based Payment: These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled equity instruments settled); (iii) the classification of transactions with cleared securities. It is mandatory for annual reporting periods beginning on or after January 1, 2018.

- IFRS 4 – Insurance Contracts (amendments): These amendments provide guidance on the application of IFRS 4 together with IFRS 9. It is mandatory for annual reporting periods beginning on or after January 1, 2018.

- IAS 40 – Investment properties (amendments): These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset. It is mandatory for annual reporting periods beginning on or after January 1, 2018.

- Improvements to international financial reporting standards (cycle 2014-2016): These improvements involve the clarification of some aspects related to IFRS 1 – First time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 – Disclosure of interest in the other entities: clarifies the scope of the standard for its application to assets classified as held for sale or held for distribution under IFRS 5; IAS 28 – Investments in associates and joint ventures: introduces clarifications regarding the measurement at fair value through profit and loss of investments in associates or joint ventures held by venture capital companies or by investment funds. It is mandatory for annual reporting periods beginning on or after January 1, 2017 and 2018.

- IFRIC 22 - Foreign currency transactions and down payments: This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue. It is mandatory for annual reporting periods beginning on or after January 1, 2018.

- IFRIC 23 – Uncertainty over Income Tax Treatments: This interpretation clarify the accounting treatment in situations of uncertainty associated with the estimation of income tax. It is mandatory for annual reporting periods beginning on or after January 1, 2019.

These standards were not yet endorsed by the European Union, and therefore, were not applied by the Group on the period ended on June 30, 2017.

B) MAIN ACCOUNTING POLICIES

The following accounting policies are applicable to the consolidated financial statements of the BPI Group.

2.1. Comparability of the information

On October 6, 2016, Banco BPI, S.A. entered into an agreement for the sale of 2% of the share capital of Banco de Fomento Angola, S.A. (BFA), the implementation of which implies a reduction of the Group's participation in BFA from 50.1% to 48.1%. The implementation of such agreement was dependent upon the fulfilment of a set of conditions, having the sale operation occurred on January 5, 2017. In this context, by the end of 2016 BFA's operations were classified as discontinued operations, in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, with the comparative balances of the Consolidated Statements of Income and Profit or Loss and Other Comprehensive Income for the period ended on June 30, 2016 being restated. Also in accordance with IFRS 5, BFA's total assets and liabilities as of December 31, 2016 are presented in the captions "Non-current assets held for sale and discontinued operations" and "Non-current liabilities held for sale and discontinued operations". In accordance with IFRS 5, on December 31, 2016, this participation continued to be consolidated by the full consolidation method, because, on this date, Banco BPI maintained the control over BFA.

The consolidated financial statements as of June 30, 2016 were restated to reflect the fact that BFA was classified as a discontinued operation. The contribution of BFA’s participation to the consolidated profit (net of taxes), on the period ended on June 30, 2016 is shown in a single line of the Income Statements ("Net income of discontinued operations").

The detail of the captions "Non-current assets held for sale and discontinued operations", "Non-current liabilities held for sale and discontinued operations" and "Net income from discontinued operations" is presented in Note 4.9 Discontinued operations.

On June 30, 2017, the participation on BFA is consolidated in accordance with the equity method of accounting as provided by IAS 28 - Investments in Associates and Joint Ventures.

2.2. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IFRS 10, IFRS 11, IAS 28 and IFRS 3)

Banco BPI has direct and indirect participations in subsidiary and associated companies.

Subsidiary companies are entities over which the Bank has control, which is when the following conditions are met, cumulatively:
- power over the company;
- exposure, or rights, to variable returns from its involvement with the company; and
- ability to use this power over the company to affect the amount of the variable returns.

In the case of investment funds managed by BPI Gestão de Activos, it is assumed that there is control whenever the BPI Group has a participation of more than 20%. In the case of investment funds managed by Inter-Risco, the BPI Group does not consolidate the funds in which, despite having a participation greater than 20%, it does not have control over the investment decisions.

Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. As a general rule, it is presumed that significant influence exists when the participation exceeds 20%.

The financial statements of subsidiary companies are consolidated using the full consolidation method. Significant intra-group transactions and account balances are eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the non-controlling interest caption, except for investment funds which are recorded in the caption Resources of Customers. When necessary, adjustments are made to the subsidiary companies’ financial statements to ensure their consistency with the BPI Group’s accounting policies.

Goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary companies as of the date of the first consolidation are recorded as assets and are subject to impairment tests. When a subsidiary company is sold, goodwill is included in determining the gain or loss on the sale.

Associated companies are recorded in accordance with the equity method of accounting. In accordance with this method, the amount of the investment, which is initially recognised at cost, is adjusted by post-acquisition changes in the net asset value of the associated companies, in proportion to the BPI Group’s participation.

Goodwill related to associated companies is included in the book value of the investment. The book value of associated companies (including goodwill) is subject to impairment tests in accordance with IAS 36 and IAS 39.

In the case of associated companies acquired in stages, goodwill is calculated at the time that the acquired company becomes an associate, being determined by the difference between the total acquisition cost of the investment and the proportion held of the fair value of the identifiable assets and liabilities of the associate as of that date. As provided for in IAS 28, total acquisition cost corresponds to the fair value of the original investment on the date that significant influence is achieved, plus the amount paid for the additional participation. In accordance with the policy established by the BPI Group, gains or losses on the revaluation to fair value of the original investment are recognised in the statement of income on the date the acquired company becomes an associate.

Following the loss of significant influence over an associated company (it is presumed that participation is less than 20%) and in accordance with IAS 28, the participation held is reclassified from the Investments in Associated Companies portfolio to the Financial Assets Available for Sale portfolio, being recorded at its fair value as of the date of the loss of significant influence. The difference between the fair value of the participation held and the cost of investment at that date is recognised in the statement of income.

In accordance with IFRS 1 and the BPI Group's accounting policies, up to the date of transition to IAS/IFRS, goodwill on investments acquired up to January 1, 2004 was deducted in full from shareholders' equity.

Negative goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary and associated companies as of the date of the first consolidation or the date the equity method is first applied is immediately recognised in the statement of income.

The financial statements of subsidiary or associated companies which are inactive or in liquidation were excluded from the consolidation and from application of the equity method. These participations are classified as financial assets available for sale.

Consolidated net income is the sum of the individual net income of Banco BPI and the percentage of the net income of subsidiary and associated companies, equivalent to Banco BPI's effective participation in them, considering the period the participations are held for, after elimination of income and expenses resulting from inter-group transactions.

Foreign currency subsidiary and associated companies (IAS 21 and IAS 29)

The foreign currency financial statements of subsidiary and associated companies were included in the consolidation after being translated to Euro at the exchange rates published by the Bank of Portugal and, in the case of BFA and BCI, by the Central Banks of Angola and Mozambique, respectively:

- assets and liabilities expressed in foreign currencies are translated to Euro using the exchange rates in force at the balance sheet date;
- income and expenses expressed in foreign currencies are translated to Euro using the exchange rates in force in the months in which they are recognised; and,
- exchange differences resulting from the translation to Euro are recognised directly in the shareholders' equity caption revaluation reserves, since the Bank does not have participations in subsidiaries and associated companies whose functional currency is that of a hyperinflationary economy.

When a foreign entity is sold, the accumulated exchange difference is recognized in the statement of income as a gain or loss on disposal.

The exchange rates used for the translation to euros of the accounts of foreign subsidiaries and associated companies were as follows:

	Jun. 30, 17	Dec. 31, 16
Kwanza - Angola	185.3930	185.3790
Metical Mozambique	69.0100	75.1600
Swiss Franc	1.0930	1.0739
South Africa Rand	14.9200	14.4570
USA dollar	1.1412	1.0541

2.3. Financial assets and liabilities (IAS 32, IAS 39, IFRS 7 and IFRS 13)

Financial assets and liabilities are recognised in the BPI Group's balance sheet on the trade or contracting date, unless there is an express contractual stipulation or applicable legal or regulation regime under which the transactions' inherent rights and obligations are transferred at a different date, in which case the latter will be the relevant date.

Financial assets and liabilities are initially recorded at fair value plus direct transaction costs, except for assets and liabilities that have been recognised at fair value through profit or loss, in which case the transaction costs are immediately recorded in the statement of income.

In accordance with IFRS 13, fair value is understood to be the price that would be received from the sale of an asset or paid for the transfer of a liability in a transaction between market participants at the measurement date. On the contracting date or at the beginning of an operation fair value is generally the transaction amount.

Fair value is determined based on:

- the price in an active market, or
- valuation methods and techniques (when there is not an active market) supported by:
  - mathematical calculations based on recognised financial theories; or,
  - prices calculated based on similar assets or liabilities traded on active markets or based on statistical estimates or other quantitative methods.

Financial assets are initially recognised, at the time of their acquisition or inception, under one of the four categories defined in IAS 39:

- financial assets held for trading and at fair value through profit or loss;
- held-to-maturity financial assets;
- available-for-sale financial assets;
- loans and other receivables.

Following the amendment to IAS 39 in October 2008 entitled "Reclassification of financial assets", it became possible to reclassify financial assets between financial asset categories, as follows: (i) in specific circumstances, non-derivative financial assets (other than those initially designated as financial assets at fair value through profit or loss under the "fair value option") can be reclassified out of the fair value through profit and loss category, and (ii) financial assets which meet the definition of loans and receivables can be reclassified from the available-for-sale financial assets category to the loans and receivables category, provided that the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. For reclassifications made up to November 1, 2008, the reference date of the changes made by the BPI Group was July 1, 2008. The reclassifications made on or after November 1, 2008 are effective only as from the reclassification date.

In Note 4.47 the valuation methods of assets and liabilities recorded at fair value (Financial assets held for trading and at fair value through profit or loss, financial liabilities held for trading and financial assets available for sale) are presented in detail.

2.3.1. Financial assets held for trading and at fair value through profit or loss and financial liabilities held for trading

These captions include:

- fixed income securities and variable-yield securities traded on active markets, which the Bank has opted, on the recognition date, to record and value at fair value through profit or loss, can be classified as held for trading or at fair value through profit or loss;
- securities related to capitalisation insurance portfolios; and,
- derivatives (including derivatives embedded in financial assets and liabilities), except for those designated as hedging instruments under hedge accounting (Note 2.3.7).

Such assets and liabilities are valued daily at fair value, taking into account the own credit risk and counterparty risk of the operations. The book value of bonds and other fixed income securities includes accrued interest.

Gains and losses resulting from changes in fair value are recognised in the statement of income.

Derivative operations are subject to credit risk analysis, their value being adjusted with a corresponding entry to loss on financial operations.

2.3.2. Held-to-maturity investments

This caption includes non-derivative financial assets with fixed or determinable payments and defined maturities that the BPI Group has the intention and ability to hold until maturity.

These investments are measured at amortised cost, using the effective interest rate method and subject to impairment tests. The impairment losses on financial investments held to maturity are recorded in the income statement. If, in a subsequent period, the amount of an impairment loss decreases and that decrease can be related objectively to an event occurring after the date on which the impairment loss was recognised, the previously recognised impairment loss is reversed through the statement of income for the year.

2.3.3. Financial assets available for sale

This caption includes:

- fixed income securities which have not been classified in the trading, held to maturity or loan portfolios;
- variable income securities available for sale; and
- shareholders' loans and supplementary capital contributions in financial assets available for sale.

Assets classified as available for sale are valued at fair value, except for equity instruments that are not traded on active markets and for which their fair value cannot be reliably measured or estimated. In this case they remain recorded at cost.

Gains and losses resulting from changes in the fair value of financial assets available for sale are recognised directly in shareholders' equity caption fair value revaluation reserve, except for impairment losses and exchange gains and losses on monetary assets, until the asset is sold. At this time, the gain or loss previously recognised in shareholders' equity is transferred to the statement of income.

Interest accrued on bonds and other fixed income securities and differences between their cost and nominal value (premium or discount) are recorded in the statement of income using the effective interest rate method.

Income from variable income securities (dividends in the case of shares) is recorded as income when it is declared or received. In accordance with this procedure, interim dividends are recorded as income in the period in which they are declared.

At the date of preparation of the financial statements, the Bank assesses the existence of objective evidence that financial assets available for sale are impaired, considering the market situation and the available information about the issuers.

In accordance with IAS 39, a financial asset available for sale is impaired and impairment losses are incurred if, and only if: (i) there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and (ii) that (those) loss event (s) has (have) an impact on the estimated future cash flows of the financial asset, that can be reliably estimated.

In accordance with IAS 39, objective evidence that a financial asset available for sale is impaired includes observable data regarding the following loss events:

- Significant financial difficulty of the issuer;
- A breach of contract by the issuer in terms of the repayment of principal or payment of interest;
- Probability of bankruptcy of the issuer;
- The disappearance of an active market for the financial asset because of financial difficulties of the issuer.

In addition to the events relating to debt instruments referred to above, the existence of objective evidence of impairment on equity instruments also takes into consideration information about the following loss events:

- Significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates indicating that the cost of the investment may not be fully recovered;
- A significant or prolonged decrease in the market value of the financial asset below its cost.

When there is objective evidence that a financial asset available for sale is impaired, the accumulated loss in the fair value revaluation reserve is removed from equity and recognised in the statement of income.

Impairment losses recorded on fixed income securities are reversed through the statement of income if there is a positive change in the fair value of the security resulting from an event which has occurred after determination of the impairment. Impairment losses on variable income securities cannot be reversed. In the case of securities for which impairment losses have been recognised, subsequent negative changes in fair value are always recognised in the statement of income.

Exchange differences on non-monetary assets (equity instruments) classified in the available-for-sale portfolio are recognised in the exchange difference revaluation reserve. Exchange differences on other securities are recorded in the statement of income.

Financial assets available for sale, designated as hedged assets, are valued as explained in Note 2.3.7. Hedge Accounting – derivatives and hedged instruments.

2.3.4. Loans and other receivables

Loans and other receivables include loans and advances made by the Bank to customers and to credit institutions, including finance lease operations, factoring operations, participation in syndicated loans and securitised loans (commercial paper and bonds issued by companies) that are not traded on an active market and which are not intended to be sold.

Loans and securitised loans traded on active markets are included in the caption “Financial assets available for sale”.

At the inception date, loans and other receivables are recognised at fair value. In general, fair value at the inception date corresponds to the amount of the transaction and includes commission, taxes and other costs and income related to the credit operations. Loans and other receivables are subsequently valued at amortised cost, using the effective interest rate method and are subject to impairment tests.

Interest income, commission, fees and other costs and income on credit operations are recognised on an accruals basis over the period of the operations, regardless of when they are received or paid. Commission received relating to credit commitments is deferred and recognised on a straight-line basis over the period of the commitment.

The Bank classifies as overdue credit, instalments of principal and interest overdue for more than 30 days. Credits under legal collection procedures include the full amount of the principal (both overdue and not yet due).

The BPI Group writes off loans on operations considered to be unrecoverable, for which impairment losses have been recorded for their full amount in the month preceding the write-off.

Gains and losses on the sale of loans to customers on a definitive basis are recognized in net income on financial operations in the caption "Gain and loss on the sale of loans and advances to customers." These gains or losses correspond to the difference between the sale price and the book value of those assets, net of impairment losses.

Loans designated as hedged assets are valued as explained in Note 2.3.7. Hedge Accounting - derivatives and hedged instruments.

Finance leasing (IAS 17)

Lease operations in which the Bank transfers substantially all the risks and rewards of ownership of an asset to a customer or to a third party, are reflected on the balance sheet, at the inception date, as loans granted, at the net amount paid to acquire the leased asset. Lease instalments are composed of an interest income component and a principal repayment component. The interest income component for each period reflects an effective interest rate of return on the outstanding amount of principal.

Factoring

Assets resulting from factoring operations with recourse are recorded on the balance sheet as loans granted, by the amount advanced on account under the terms of the corresponding contracts.

Assets resulting from factoring operations without recourse are recorded on the balance sheet as loans granted, by the amount of the credit taken, with a corresponding entry to the liability caption “Creditors for factoring operations”. Amounts advanced under the contracts are debited to the caption “Creditors for factoring operations”.

Invoices received under factoring contracts with recourse, in which amounts are not advanced, are recorded in the off-balance sheet caption, “Contracts with recourse – invoices not financed”, by the amount of the invoices received. The balance of this caption is reduced as the invoices are settled.

Commitments resulting from unused credit lines negotiated with customers are recorded as off-balance sheet items.

Securitised credit not derecognised

The Bank does not derecognise credits sold in securitisation operations when:

- it retains control over the operations;
- it continues to receive a substantial part of the remuneration; and,
- it retains a substantial part of the risk on the credits transferred.

Credits sold that have not been derecognised are recorded in the caption "Loans and advances to customers" and are subject to the accounting principles used for other credit operations. Interest, commission and fees relating to the securitised loan portfolio are accrued over the period of the credit operation.

Amounts received relating to securitisation operations are recorded under the caption "Financial liabilities relating to transferred assets". The respective interest, commission and fees are accrued based on the remuneration ceded by the Bank, in accordance with the expected average life of the securitisation operation at the launching date.

The risks and/or benefits maintained are represented by the bonds with the highest degree of risk, issued by the securitisation vehicle. The amount recorded in assets and liabilities represents the proportion of risk/benefit held by the Bank (continuing involvement).

Bonds issued by securitisation vehicles and held by the BPI Group entities are eliminated in the consolidation process.

Securities under repurchase and resale agreements

Securities purchased with resale agreements are not recorded in the securities portfolio. Funds paid are recorded as loans at the settlement date, while interest is accrued.

Securities sold with repurchase agreements are maintained in their original securities portfolio. Funds received are recorded in the corresponding liability caption at the settlement date, while interest is accrued.

Guarantees given and irrevocable commitments

Guarantees given and irrevocable commitments are recorded in off-balance sheet accounts by the amount at risk, while interest, commission, fees and other income are recorded in the statement of income over the period of the operations. These operations are subject to impairment tests.

Impairment

Loans, other receivables and guarantees given are subject to monthly impairment tests. Impairment losses identified are recorded by corresponding charge to the statement of income for the year. If, in subsequent periods, there is a decrease in the estimated impairment loss, the impairment loss initially recorded is reversed by credit to the statement of income.

In accordance with IAS 39 a financial asset is considered to be impaired when there is evidence that one or more loss events have occurred after initial recognition of an asset, and such events have an impact on the estimated recoverable value of the future cash flows of the financial asset considered.

IAS 39 defines some events that may be considered as objective evidence of impairment (breach of contract, such as delay in the payment of principal or interest; probability that the borrower will become bankrupt, etc.). However, in certain circumstances determination of impairment losses requires professional judgement.

Objective evidence of impairment is assessed as of the date of the financial statements.

Impairment assessment is made based on individual or collective basis for loans of significant amount and on collective basis where the loans are not significant in amount.

BPI's loan portfolio, guarantees and irrevocable commitments are segmented as follows for purposes of determining impairment:

- Corporate Banking;
- Project Finance;
- Institutional Banking and the State Business Sector;
- Individual and Businessmen and Business:
  - Specialised credit: housing loans, equipment leasing, real estate leasing, vehicle financing, consumer credit and credit cards;
  - Commercial portfolio: discounts, credit with a plan, credit without a plan and overdrafts;
  - Others.

Customer groups with exposures above 250 t. euros, included in the following segments, are subject to an individual impairment assessment:

- Individual Clients and Small Business, Investment Center and Private Banking (in a consolidated basis and excluding operations related to housing loans, consumer credit, credit cards and vehicle financing);
- Corporate Banking, Project Finance, Institutional Banking and the State Business Sector;
- Loan operations monitored by the Finance Department;

The Bank ensures that the mentioned analysis is carried out at least once a year for all exposures referred to above and whenever the credits show signs of impairment or are in default.

The loan operations included in the aforementioned segments, which from the individual analysis did not reveal the need to record impairment losses, as well as the operations recorded in other segments not subject to individual analysis, are subject to collective analysis in order to determine the corresponding amount of impairment.

Individual assessment

In the case of assets for which there is objective evidence of impairment on an individual basis, impairment is calculated operation by operation, based on the information included in the Bank's credit risk analysis models which consider, among others, the following factors:

- Overall exposure of the customer and nature of the liabilities contracted with the Bank: financial or non-financial operations (namely, liabilities of a commercial nature or performance guarantees);
- Notation of client risk determined based on a calculation system implemented by the BPI Group. Risk notation includes, among others, the following characteristics:
  - Financial situation of the customer;
  - Risk of the business sector in which the customer operates;
  - Quality of the customer's management, measured by the experience in the relationship with the BPI Group and the existence of incidents;
  - Quality of the accounting information presented;
  - Nature and amount of the guarantees relating to the liabilities contracted with the Bank;
  - Non-performing loans for a period exceeding 30 days.

In such situations the amount of the loss is calculated based on the difference between the book value and the estimated recoverable amount of the credit, after recovery costs, discounted at the effective rate of interest during the period from the date the impairment to the expected date of recovery.

The expected recoverable amount of the credit reflects the cash flows that can result from execution of the guarantees or collateral relating to the credit granted, less costs of the recovery process.

Assets evaluated individually, for which there are no objective signs of impairment, are included in a group of assets with similar credit risks, and impairment losses are assessed collectively.

Impairment for these groups of assets is assessed as explained in the following section – Collective assessment.

Assets assessed individually, for which an impairment loss is recognised, are excluded from the collective assessment.

Collective assessment

Future cash flows of groups of credit subject to collective impairment assessment are estimated based on the past experience of losses on assets with similar credit risk characteristics.

Collective assessment involves estimating the following risk factors:

- The probability of a performing operation or customer coming to show signs of impairment through delays or other loss events occurred arising during the emergence period (period between the occurrence of a loss event and identification of that event by the Bank).
  In accordance with IAS 39 these situations correspond to losses incurred but not reported, that is cases in which, for part of the credit portfolio, the loss event has already occurred, but the Bank has not yet identified it.
- The probability of an operation or customer that has already had delays or others loss events occurred, going into default during the remaining period of the operation.
- Financial loss on operations in default.

For purposes of determining the percentage of estimated loss on operations or customers in default, the Bank considers payments by customers after default, less direct costs of the recovery process. The flows considered are discounted at the interest rate of the operations and compared to the exposure at the time of default.

The inputs used for calculating collective impairment are determined based on statistical models for credit groups and revised regularly to approximate the estimated amounts to the actual amounts.

The amount of the loss results from a comparison of the book value with the present value of the estimated future cash flows. The interest rate of the operations at the date of each assessment is used to calculate the present value of the future cash flows.

2.3.5. Deposits and other resources

After initial recognition, deposits and other financial resources of customers and credit institutions are valued at amortised cost, using the effective interest rate.

This category includes life capitalisation insurance without a discretionary participation feature.

Deposits designated as hedged liabilities are valued as explained in Note 2.3.7. Hedge Accounting – derivatives and hedged instruments.

2.3.6. Debt securities issued by the Bank

Debt securities issued by the Bank are recorded under the captions Debt Securities and Other Subordinated debt.

At the date of issue, debt securities are recorded at fair value (issue value), including transaction expenses, commission and fees, and subsequently valued at amortised cost using the effective interest rate method.

Derivatives embedded in bonds are recorded separately and revalued at fair value through the statement of income.

Bonds designated as hedged liabilities are valued as explained in Note 2.3.7. Hedge Accounting – derivatives and hedged instruments.

Bonds issued by the Bank can be listed, or not, on the Stock Exchange.

Secondary market transactions

The Bank repurchases bonds issued in the secondary market. Purchases and sales of own debt securities are included proportionately in the respective captions of debt issued (principal, interest, commission, fees and derivatives), and the differences between the amount liquidated and the decrease or increase in the amount of the liability are immediately recognised in the statement of income.

2.3.7. Hedge accounting – derivatives and hedged instruments

The BPI Group designates as hedging instruments, derivatives contracted to hedge interest rate and foreign exchange rate risk (fair value hedge operations) on financial assets and liabilities identified individually (bond portfolio, issuance of own debt securities and loans), and on groups of operations (term deposits and fixed rate loans).

The BPI Group has formal documentation of the hedge relationship identifying, at the inception of the transaction, the instrument (or part of the instrument, or part of the risk) that is being hedged, the strategy and type of risk being hedged, the hedging derivative and the methods used to demonstrate the effectiveness of the hedge.

Monthly, the Bank tests the effectiveness of the hedge by comparing changes in the fair value of the hedged instrument, attributable to the hedged risk, with changes in the fair value of the hedging derivative, the relationship between them being within the range of 80% to 125%.

Hedging derivative instruments are recorded at fair value and the gains and losses resulting from their revaluation are recognised in the statement of income. Gains and losses resulting from changes in the fair value of hedged financial assets or liabilities, attributable to the hedged risk, are also recognised in the statement of income, by corresponding entry to the book value of the hedged asset or liability in the case of operations at amortised cost (loans, deposits and debt issued) or to the fair value revaluation reserve in case of financial assets available for sale (bonds portfolio).

A hedged asset or liability may have only one part or one component of its fair value hedged (interest rate risk, foreign exchange rate risk or credit risk), provided that the effectiveness of the hedge can be measured separately.

When using hedge accounting, the Bank does not value the commercial spreads of the hedged assets or liabilities.

If the hedging relationship ceases to exist as a result of the relationship between the fair value changes of the derivatives and the hedged instruments being outside the 80% to 125% range, the derivatives are reclassified to trading instruments and the amount of the revaluation of the hedged instrument is recognised in the statement of income for the remaining period of the operation.

Hedging effectiveness tests are duly documented on a monthly basis, thus ensuring the existence of evidence during the period of the operation.

2.3.8. Foreign currency financial assets and liabilities

Foreign currency financial assets and liabilities are recorded in conformity with the multi-currency system that is in their original currencies.

Foreign currency assets and liabilities are translated to Euro at the official market rates published by the Bank of Portugal.

Foreign currency income and expenses are translated to Euro at the exchange rates in force on the dates they are recognised.

2.4. Tangible assets (IAS 16)

Tangible assets used by the Bank in its operations are stated at cost (including directly attributable costs) less accumulated depreciation and impairment losses.

Depreciation of tangible assets is recorded on a straight-line basis over their estimated useful lives, which corresponds to the period the assets are expected to be available for use:

	Useful life (years)
Property	20 to 50
Improvements in owned property	10 to 50
Non-recoverable expenditure capitalised on leasehold buildings	3 to 10
Equipment	3 to 12
Other tangible assets	3 to 10

Non-recoverable expenditure on improvements in leasehold buildings is depreciated in accordance with its estimated useful life or the remaining period of the lease contract.

As established in IFRS 1, tangible assets acquired by the BPI Group up to January 1, 2004 have been recorded at their book value at the date of transition to IAS/IFRS, which corresponds to cost adjusted for revaluations recorded in accordance with legislation, based on price level indices. In accordance with current tax legislation, 40% of the additional depreciation charge resulting from such revaluations is not deductible for income tax purposes, the resulting deferred tax liability being recognised.

Tangible assets acquired under finance lease

Tangible assets acquired under finance lease operations, in which the Bank has all the risks and rewards of ownership, are depreciated in accordance with the procedures explained in the preceding section.

Lease instalments comprise an interest charge and a principal repayment component. The liability is reduced by the amount corresponding to the principal repayment component of each of the instalments and the interest is reflected in the statement of income over the term of the lease.

2.5. Assets received in settlement of defaulting loans and non-current assets held for sale and discontinued operations (IFRS 5)

Assets received in settlement of defaulting loans

Assets (property, equipment and other assets) received in settlement of defaulting loans are recorded in the caption “Other assets” as they are not always in condition to be sold immediately and may be held for periods in excess of one year. Such assets are recorded at the legal or tax acquisition amount or the amount stated in the settlement agreement. Assets recovered following the resolution of lease contracts are recorded at the outstanding amount due not invoiced. Such property is subject to periodic appraisals, with impairment losses being recorded whenever the appraised value net of costs to sell is lower than its book value.

The caption “Other assets” also includes the Bank’s tangible assets retired from use (unused property and equipment) which are in the process of sale. Such assets are transferred from tangible assets at their book value in accordance with IAS 16 (cost less accumulated depreciation and impairment losses) when they become available for sale, and are subject to periodic appraisals with impairment losses being recorded whenever the appraised value (net of selling costs) is lower than their book value.

The appraisals are carried out by independent appraisers registered at “Comissão do Mercado de Valores Mobiliários” (Portuguese Securities Market Regulator). Unrealized gains on these assets are not recognised in the balance sheet.

Tangible assets available for sale are not depreciated.

Non-current assets held for sale and discontinued operations (IFRS 5)

IFRS 5 - Non-current assets held for sale and discontinued operations applies to separate assets but also to disposal groups of assets and liabilities, when the entity intends to dispose of a group of assets with certain directly associated liabilities, together in a single transaction.

Non-current assets, or disposal groups of assets and liabilities, are classified as held for sale whenever it is expected that their book value will be recovered through sale rather than through their continued use. In order to be classified as such, an asset (or a disposal group of assets and liabilities) must meet the following conditions:
• Its sale must be highly probable;
• The asset must be available for immediate sale in its present condition;
• The sale must be expected to be realized within one year from the date of classification in this caption.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale.

Assets classified in this caption are not amortized, being valued at the lower of cost and fair value, less costs to be incurred with the sale.

If book value is greater than fair value less costs to sell, an impairment loss is recognized in the caption “Impairment losses and other provisions, net”.

In 2016, as a result of the agreement established between Banco BPI and Unitel for the sale of 2% of the share capital of Banco de Fomento Angola,SA (BFA), BFA's assets and liabilities were reclassified to the captions "Non-current assets held for sale and discontinued operations" and "Non-current liabilities held for sale and discontinued operations", respectively, in accordance to IFRS 5 - Non-current assets held for sale and discontinued operations.

2.6. Intangible assets (IAS 38)

The Bank recognises, in this caption, expenses relating to the development stage of projects implemented and to be implemented, as well as the cost of acquiring software, in both cases where the impact extends beyond the financial year in which the cost is incurred.

Intangible assets are amortised on a straight-line monthly basis over the estimated period of useful life of the assets which, in general, corresponds to a period of three years.

To date the Bank has not recognised any intangible assets generated internally.

2.7. Retirement and survivor pensions (IAS 19)

2.7.1. Employees of domestic operations

The BPI Group companies that have adhered to the Collective Vertical Labour Agreement for the Portuguese Banking Sector (*Acordo Colectivo de Trabalho Vertical para o Sector Bancário Português*) have assumed the commitment to pay their employees or their families, pensions for retirement due to age or incapacity, pensions for early retirement or survivor pensions (defined benefit plan). The pensions consist of a percentage, which increases with the number of years of service of the employees, applied to their salaries.

Up to December 31, 2010 the majority of employees of the BPI Group was not covered by the Portuguese Social Security system. With the publication of Decree-Law 1-A/2011 of January 3, all the bank employees that benefit from CAFEB – *Caixa de Abono de Família dos Empregados Bancários* were incorporated into the General Social Security Regime as from January 1, 2011, becoming covered by this regime as regards old age pensions and possible maternity, paternity and adoption, the cost of which the Bank no longer covers. Given the complementary nature of the rules of the Collective Labour Agreement for the Portuguese Banking Sector, the Bank will continue to cover the difference between the amount of the benefits paid under the General Social Security Regime for the items covered and the benefits established in the Collective Labour Agreement.

Incapacity and survivor pensions and sickness subsidy of these employees will continue to be the Bank’s responsibility.

Following the Three Party Agreement between the Government, the Credit Institutions and the Labour Unions for the Banking Sector, Decree-Law 127/2011 of December 31 was published, which establishes transfer to the Social Security of the liability for retirement and survivor pensions of retirees and pensioners which at December 31, 2011 were in that situation and were covered by the substitute social security regime included in the collective labour regulations in force for the banking sector (Pillar 1), as well as transfer to the Portuguese State of the part of the pension fund assets covering these liabilities.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates of the pensions mentioned above, according to the criteria set out in the Collective Labour Agreement (*Acordo Colectivo de Trabalho*); (ii) the complementary benefits to the retirement and survivor pensions assumed by the Collective Labour Agreement; (iii) the contribution on retirement and survivor pensions for Social Medical Support Services (*Serviços de Apoio Médico-Social - SAMS*); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same employee and (vi) survivor pension due to the family of a retired employee, in which the conditions for being granted occurred as from January 1, 2012.

The value of the pension fund assets transferred to the Portuguese State was equal to the amount of the liabilities assumed by the Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables in accordance with the regulations defined by the Portuguese Insurance Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões*): male population: TV 73/77 less 1 year; female population: TV 88/90.

Transfer of the Bank's pension fund assets was made entirely in cash.

The Bank transferred ownership of the assets under the following conditions: (i) up to December 31, 2011, the amount equivalent to 55% of the provisional present value of the liabilities; (ii) by June 30, 2012, the remaining amount to complete the current definitive amount of the liabilities, as a result of the final determination of the liabilities transferred, made by an expert independent entity hired for the purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponds to settlement, with extinction of the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liabilities transferred based on the actuarial assumptions used by Banco BPI was recorded in the statement of income caption "Operating gains and losses", as provided for in paragraph 110 of IAS 19.

In accordance with the Decree-Law 127/2011 of December 31, the cost incurred as a result of the transfer of the liability for retirement and survivor pensions of retired personnel and pensioners to the Social Security is tax deductible, in equal amounts, in the tax years beginning on or after January 1, 2012 based on the estimated average number of years of life expectancy of the pensioners whose liabilities were transferred, which is estimated at 18 years, and so the corresponding deferred tax asset relating to the amount settled was recognised in the statement of income.

On June 14, 2016 a new Collective Labour Agreement (ACT) was signed with the labour unions. It was published in the Labour and Employment Bulletin ("*Boletim do Trabalho e do Emprego*") on August 8, 2016 and entered into force on the following day.

The new ACT maintained the pension regime as well as the supplementary health system (SAMS) applicable to employees and pensioners of Banco BPI unchanged, having, however, established new rules for the financing of SAMS for which financial institutions are responsible.

Following this change the BPI Group's SAMS liability with respect to retirees and pensioners changed from a percentage (6.5%) over the amount of the pension to a fixed per capita amount for each type of beneficiary (retired or survivor pensioner).

The impact of this change was a decrease in the past service liability in the amount of 22 215 t. euro. To the extent that is a change in the benefits of the pension plan, this impact was recorded in the statement of income caption "Personnel costs", as provided for in paragraph 103 of IAS 19 (Note 4.41).

Additionally, with the new ACT mandatory promotions due to time of service were eliminated, except for the next promotion for employees that have been promoted up to December 31, 2014. The impact of the elimination of mandatory promotions due to time of service resulted in a reduction of 9 593 t. euro in the past service liability, which was recorded by corresponding entry to equity (actuarial deviations) (Note 4.26), since the mandatory promotions due to time of service were incorporated into the salary growth assumption used by Banco BPI.

The BPI Group determines the amount of its past service liability by actuarial calculation using the "Projected Unit Credit" method in the case of retirement due to age, and the "Single Successive Premiums" method in the case of retirement due to incapacity and survivor benefits. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary and pension increases, using mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for low risk bonds with similar terms to those of the related pension liability. The current economic situation and sovereign debt crisis in Southern of Europe have caused volatility and disruption in the debt market in the Eurozone, with an abrupt decrease in market yields on corporate bonds with better ratings and also a reduction in the available portfolio of these bonds. In order to maintain the representativeness of the discount rate in these circumstances, Banco BPI incorporated in its determination, information on interest rates that can be obtained on bonds of the Eurozone universe and that it considers to be of high quality in terms of credit risk, as of the date of the financial statements. An analysis of the actuarial assumptions and, if applicable, their corresponding change, is carried out by the BPI Group as of June 30 and December 31 of each year. In 2016, the BPI Group updated the assumptions (discount rate) as of December, 31. As of June 30, 2017, BPI group updated again the discount rate and the mortality table in regard with the life expectancy of the male population (employees, retired and pensioners). The update of the referred assumptions is reflected in the determination of the actuarial deviations and prospectively in pension costs. The amount of the liability includes, in addition to the retirement pension benefits, post-employment healthcare benefits (SAMS) and death subsidy during retirement.

In accordance with the requirements of IAS 19, the BPI Group recognizes the effect of re-measuring the net liability (asset) of defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which it occurs, including actuarial gains and losses and deviations relating to the return on pension fund assets.

The increase in the past service liability resulting from early retirements is fully recognised as cost in the statement of income for the year.

Increases in the past service liability resulting from changes in the conditions of the Pension Plans are recognised in full in the statements of income.

The past service liability (post-employment benefits) is covered by Pension Funds. The value of the Pension Funds corresponds to the fair value of their assets at the balance sheet date.

The funding requirements of the Pension Fund are defined in Bank of Portugal Notice no. 4/2005, which establishes the requirement to fully fund (100%) pensions under payment and a minimum of 95% of the past service liability for current personnel.

The past service liability for retirement pensions net of the amount of the pension fund is recorded in the BPI Group's financial statements under the caption "Other liabilities" (insufficient coverage) or "Other assets" (excess coverage).

The following costs relating to retirement and survivor pensions are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- net interest cost;
- cost relating to the increase in the past service liability due to early retirements;
- gains and losses resulting from changes in the conditions of the Pension Plan.

The above components are recognised in personnel costs, except the cost of the interest of all liabilities and expected return on pension funds that are recorded in net income on financial operations – interest and financial gain and loss with pensions.

At the transition date to IAS/IFRS, the BPI Group adopted the option, allowed under IFRS 1, of not recomputing actuarial gains and losses deferred since the inception of the pension plans (reset option). Consequently, deferred actuarial gains and losses reflected in the BPI Group's financial statements as of December 31, 2003 were reversed by corresponding entry to retained earnings at the transition date (January 1, 2004).

2.8. Long service premiums and final career premium (IAS 19)

Up to June 2016, under the Collective Labour Agreement for the banking sector there was a commitment to pay employees (of domestic operations) a long service premium in the month in which they reach 15, 25 and 30 years of good and effective service in the banking sector, corresponding, respectively, to one, two and three months of their effective monthly remuneration (in the year the premium was attributed).

With the entry into force of the new ACT, the long service premium was eliminated. However, the new ACT established the payment of the proportional part of the long service premium for the current 15, 25 or 30 years anniversary of banking service corresponding to the time of good and effective service in the banking sector at the time of the entry into force of the new ACT.

The new ACT provides for the payment of a final career premium corresponding to 1.5 times the effective monthly remuneration of the employee at the time of termination of the labour contract due to retirement. Considering that the final career premium corresponds to a post-employment benefit in accordance with IAS 19, the corresponding actuarial deviations are recognized in equity.

The net impact of the elimination of the long service premium and the creation of the final career premium corresponded to a decrease of 20 673 t. euro in the past service liability (Note 4.25). To the extent that this is a change of benefits of the pension plan, this impact was recorded in the statement of income caption “Personnel costs”, as provided for in paragraph 103 of IAS 19 (Note 4.41).

Annually, the BPI Group determines the present value of the liability for long service premiums (until June 2016) and for final career premiums by actuarial calculation using the “Projected Unit Credit” method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank’s population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liabilities for long service premiums (up to June 2016) and for final career premiums are reflected under the caption “Other liabilities” (Note 4.25).

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year)
- interest cost
- gain and loss resulting from changes in the conditions of the benefits.

Long service premiums and final career premiums are only paid to employees of domestic operations.

2.9. Treasury shares (IAS 32)

Treasury shares are recorded at cost in equity captions and are not subject to revaluation. Realised gains and losses, as well as the resulting taxes, are recorded directly in shareholders’ equity, not affecting net income for the year.

2.10. Share-based payments (Remuneração Variável em Acções – RVA) (IFRS 2)

2.10.1 General Matters

As described in the Annual Report and Accounts as of December 31, 2016, the share-based payment programme (RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and employees of the BPI Group (in the latter case provided that it exceeds 2 500 euro), it is partly made up of BPI shares and BPI share options. The individual remuneration under the RVA programme varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The only exception to this rule relates to the remuneration of the employees responsible for control functions which, in spite of being based principally on a fixed remuneration component, may include variable remuneration provided that it does not exceed 25% of their total remuneration which, however, will always be paid in cash

Costs relating to the share-based payment programme (RVA programme) are accrued under the caption “Personnel costs” with a corresponding entry to “Other equity instruments”, as established by IFRS 2 for share-based payments. The cost of the shares and option premiums, as of the date they are granted, is accrued on a straight-line basis from the beginning of the year of the programme (January 1) to the moment they become available to the employees.

For the purpose of share-based payments, the Bank has created a portfolio of BPI shares transferring ownership of the shares to employees on the grant date (in the case of Executive Directors, after verifying the suspension terms and conditions). However, for accounting purposes, the shares remain in the Bank’s treasury share portfolio until the date they are made available. The shares are then derecognised by corresponding entry to the amounts accumulated under the caption “Other equity instruments”.

For purposes of the share-based payment in options, the BPI Group has created a portfolio of BPI shares in order to hedge the liability resulting from issuing call options over the BPI shares, following a delta hedging strategy (determined using a model to evaluate the BPI share options, developed in-house based on Black-Scholes methodology).

This strategy corresponds to the creation of a portfolio with delta shares for each option granted, delta corresponding to the relationship between evolution of the price of an option and evolution of the price of the underlying shares. The treasury shares held to hedge the risk of variation in the value of the options sold are recorded under the caption “Treasury shares hedging the share-based payment programme”, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognised together with transfer of their ownership to the employees. At that time the Bank recognises a gain or loss resulting from the difference between the exercise price and the average cost of the treasury share portfolio hedging each programme, less the cost of the option premiums accumulated in the caption "Other equity instruments".

Realised gains and losses on treasury shares in the coverage and exercise of the options of the share-based payment programme, as well as the related taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

2.10.2 New Policy for the Executive Directors – as resolved by the Shareholders on the General Meeting held on April 26, 2017
On April 26, 2017 the Shareholders of Banco BPI aproved the new remuneration policy applicable to the Executive Directors ("*Política de Remuneração do Banco BPI aplicável aos membros do Conselho de Administração e do Conselho aprovada na Assembleia Geral de Accionistas de 26 de Abril de 2017*" available on www.ir.bpi.pt).

In accordance with this Policy the remuneration of Executive Directors is composed by a fixed remuneration and a variable remuneration distributed as a bonus.
The variable remuneration distributed as a bonus includes:

- A component of 50% payed in cash;
- A component of 50% payed through the distribution of instruments, after the payment of the applicable taxes.

The distribution of instruments will be made, preferably, with CaixaBank shares, however Banco BPI can distribute other instruments in accordance with article 115-E of RGIC, on Delegated Regulation 527/2014 and with EBA Orientations.

The variable remuneration distributed as a bonus must fulfil the following requirements in terms of payment tranches:

- A part of the variable remuneration is payed on the attribution date, by transference to the Executive Director of the cash and instruments that are part of the variable remuneration that is not deferred;
- The remaining remuneration will be deferred as described bellow. The cash and instruments which are subject of deferral are transferred to the Executive Director on the end of the deferral period.

The deferred remuneration corresponds to 60% of the variable remuneration of the Executive Directors.

Deferral Period:

a) On the initial payment date is payed the part of the remuneration that is not deferred, including both cash and instruments. This part of the remuneration is payed with 50% cash and 50% instruments;

b) The deferred remuneration adjusted to the risk, unless the decrease assumptions determined by the Policy are applicable, is payed as stated bellow:

    - 1/5 – 12 months after the initial payment date;
    - 1/5 – 24 months after the initial payment date;
    - 1/5 – 36 months after the initial payment date;
    - 1/5 – 48 months after the initial payment date;
    - 1/5 – 60 months after the initial payment date.

In addition, all instruments distributed are subjet to a retention period of one year, starting on the distribution/payment date, during which the Executive Director cannot liquidate the distributed instruments. During this period the Executive Director is the owner of the inherent rights of the distributed instruments.

With the approval of the new remuneration policy, the share-based payment programme (RVA) for Executive Directors, described in 2.10.1, is no longer valid for the year 2017 and subsequent years.

2.10.3 Applicable policy for the employees
Considering that:

(i) RVA Program (a remuneration plan based on the attribution of BPI shares and Options, which entered in force in 2001) was designed to align employees, Bank and Shareholders expectations in relation to the valuation of BPI shares;
(ii) The Public Tender Offer made by CaixaBank caused a reduction both on free-float and liquidity of BPI Shares that have an effect on employees, Bank and Shareholders expectations referred above;
(iii) The new remuneration policy approved for Executive Directors described above (see note 2.10.2)

The Bank is developing a new remuneration policy for the employees which is being prepared for approval.

2.11. Technical provisions (IFRS 4)

The BPI Group sells capitalisation life insurance products through its subsidiary BPI Vida. Capitalisation insurance products without discretionary participation features are recorded in accordance with IAS 39 and included in the caption “Resources of customers and other debts”. Capitalisation insurance products with discretionary participation features are recorded in accordance with IFRS 4, in the caption “Technical provisions”.

The technical provisions recorded for life insurance contracts represent, collectively, the liability to the insured customers and include:

- Mathematical provisions determined using prospective actuarial methods in accordance with the technical bases of each product. They also include a provision for rate commitments, which is recorded when the effective profitability rate of the assets which represent the mathematical provisions of a certain product is lower than the technical interest rate used to calculate the mathematical provisions.
- Provision for participation in profits to be attributed to the contracts in force at the end of each year. The amount is calculated in accordance with the technical bases of each contract, duly approved by the Portuguese Insurance Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões), using the profitability rates for investments covering the respective mathematical provisions.
- Claims reserve to cover indemnities payable relating to claims incurred but not yet settled. Since the BPI Group does not commercialise risk insurance, no provision has been recorded for claims incurred but not yet reported (IBNR).

2.12. Provisions for other risks and charges (IAS 37)

This caption includes provisions to cover other specific risks, namely tax contingencies, legal processes and other losses arising from the operations of the BPI Group.

2.13. Income taxes (IAS 12)

All the Group companies are taxed individually.

2.13.1. Domestic operations

Banco BPI and its subsidiary and associated companies with head offices in Portugal are subject to the tax regimes established in the Corporation Income Tax Code (Portuguese initials - CIRC) and in the Statute of Tax Benefits.

Current taxes are calculated based on the legal tax rates in force in the countries in which the Bank operates during the reporting period.

Deferred tax assets and liabilities correspond to the tax recoverable and payable in future periods resulting from temporary differences between the carrying value of assets and liabilities and their respective tax bases. Tax losses carried forward and tax credits also give rise to the recognition of deferred tax assets.

Deferred tax assets are recognised only to the extent of the probable existence of sufficient expected future taxable income to absorb the deductible temporary differences.

Deferred tax assets and liabilities have been calculated using the tax rates decreed for the period in which the respective assets or liabilities are expected to be realised.

Current and deferred taxes are recognised in the statement of income, except for those relating to amounts recorded directly in shareholders’ equity (namely gains and losses on treasury shares and securities available for sale and actuarial deviations in retirement and survivor pension liabilities).

The BPI Group does not recognize deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future. Until December 31, 2016 deferred tax liabilities were recorded relating to taxation in Angola of the dividends to be distributed to the companies of the BPI Group, in the following year, over the net result for the year of Banco de Fomento Angola.

The BPI Group does not recognize deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in associated companies, as the participation held by the BPI Group exceeds 10% for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos and Banco Fomento Angola, in which the deferred tax liabilities related to taxation in Mozambique and Angola of all the distributable profits are recognized.

Net income distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of applying the regime established in article 51 of the Corporation Income Tax Code, which provides for the elimination of double taxation for distributed net income.

2.14. Preference shares (IAS 32 and IAS 39)

Preference shares are classified as equity instruments when:

- There is no contractual obligation for the BPI Group to redeem the preference shares acquired by a holder (in cash or in another financial asset);
- Remission or early redemption of the preference shares can only be made at the option of the BPI Group;
- Dividends distributed by the BPI Group to the preference shareholders are discretionary.

The BPI Group classified the preference shares issued by BPI Capital Finance Ltd. as equity instruments. The payment of dividends and redemption of the shares are guaranteed by Banco BPI.

The preference shares classified as equity instruments, held by third parties, are presented in the consolidated financial statements in the caption “Non-controlling interest”.

Realized gain and loss on the repurchase and sale of preference shares classified as equity instruments, as well as the corresponding tax effect, are recorded directly in shareholders’ equity, not affecting net result for the year.

2.15. Insurance and reinsurance brokerage services

Banco BPI is duly authorized by the Portuguese Insurance Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões) to provide insurance brokerage services in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of July 31, and operates in the life and non-life insurance brokerage areas.

In the insurance brokerage services area, Banco BPI sells insurance contracts. As remuneration for insurance brokerage services rendered, Banco BPI receives commission for brokering insurance contracts, which is defined in agreements/protocols established between Banco BPI and the Insurance Companies.

Commission received for insurance brokerage services refers to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through Banco BPI and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly;
- Commission for participation in the results of insurance, which is calculated annually and paid by the Insurance Company in the beginning of the year following that to which it refers (up to January 31).

Commission received for insurance brokerage services are recognized on an accruals basis. Fees received in a different period from that to which they relate are recorded as receivables in the caption “Other assets” by corresponding entry to “Commissions received - for insurance brokerage services”.

Banco BPI does not collect insurance premiums on behalf of Insurance Companies, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognized relating to the insurance brokerage services rendered by Banco BPI, from those already referred to.

2.16. Main estimates and uncertainties regarding the application of the accounting policies

The BPI Group’s financial statements have been prepared using estimates and expected future amounts in the following areas:

Retirement and survivor pensions

Retirement and survivor pension liabilities have been estimated based on actuarial tables and assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on BPI Group’s expectations for the period during which the liabilities will be settled.

Loan impairment

Loan impairment has been determined based on expected future cash flows and estimated recoverable amounts. The estimates are made using assumptions based on the available historical information and assessment of the situation of the customers. Possible differences between the assumptions used and the actual future behaviour of the loans and changes in the assumptions used by the BPI Group have an impact on the estimates.

Income taxes

Current and deferred taxes have been recognised based on the tax legislation currently in force for the BPI Group companies or on legislation already published for future application. Different interpretations of tax legislation can influence the amount of income taxes. Additionally, deferred tax assets are recognised based on the assumption of the existence of future taxable income.

Fair value of derivatives and unlisted financial assets

The fair value of derivatives and unlisted financial assets was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.

The financial market environment, particularly in terms of liquidity, can influence the realisable value of these financial instruments in some specific situations, including their sale prior to maturity.

3. SEGMENT REPORTING

The BPI Group's segment reporting is made up as follows:

- Domestic operations: corresponds to commercial banking business in Portugal, the provision overseas of banking services to non-residents - namely to emigrant Portuguese communities and services provided in the Madrid branch - and investment banking, private equity, asset management and insurance operations. Thus, domestic operations are divided into:
  - Commercial Banking
  - Investment Banking
  - Equity investments and others

- International operations: Consist of the operations in Angola carried out by Banco de Fomento Angola, S.A, in Mozambique by Banco Comercial de Investimentos, S.A.R.L. and BPI Moçambique – Sociedade de Investimento, S.A. and in South Africa by BPI Capital Africa (Proprietary) Limited.

Commercial banking

The BPI Group's operations are focused mainly on commercial banking. Commercial banking includes:

- Retail Banking – includes commercial operations with private clients, sole traders and businesses with turnover of up to 5 million euro through a multi-channel distribution network made up of traditional branches, investment centres, home banking services and telephone banking. It also includes the Private Banking area which is responsible for implementing strategies and investment proposals presented to customers and ensures the management of their financial assets.
- Corporate Banking, Project Finance and Institutional Banking – includes commercial operations with companies with a turnover of more than 2 million euro, operating in parallel with Retail Banking for the segment of up to 5 million euro. This also includes project finance services and relationships with entities of the Public Sector, Public and Municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of business centres, institutional centres and home banking services adapted to the business needs.

Investment banking

Investment banking covers the following business areas:

- Corporate finance – This includes rendering consultancy services relating to the analysis of investment projects and decisions, market privatisation operations and the structuring of merger and acquisition processes.
- Share department–Includes trading activities, financial instrument primary market, brokerage and research.
- Portfolio management – Includes services rendered to BPI Global Investment Fund Management Company, S.A in the management of BPI Alternative Fund – Iberian Equities Long Short.

Equity investments and others

This segment includes essentially Financial Investments and Private Equity activities. The BPI Group Private Equity area invests essentially in unlisted companies with the following objectives: the development of new products and technologies, financing of investments in working capital, acquisitions and the strengthening of financial autonomy.

This segment also includes the Bank's residual activity, such segments representing individually less than 10% of total income, net profit and the Group's assets.

Inter-segment operations are presented based on the effective conditions of the operations and application of the accounting policies used to prepare the BPI Group's consolidated financial statements.

The reports used by Management consist essentially of accounting information based on IFRS.

The BPI Group's balance sheet as of June 30, 2017 and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations			BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola (BFA)	Others	Total	
ASSETS									
Cash and deposits at central banks	983 403				983 403				983 403
Deposits at other credit institutions	462 110	5 268	12 055	(179 407)	300 026		1	1	300 027
Financial assets held for trading and at fair value through profit or loss	2 409 732			(1)	2 409 731				2 409 731
Financial assets available for sale	3 636 330	611	142 329		3 779 270				3 779 270
Loans and advances to credit institutions	1 019 927	16 000	2 895	(294 873)	743 949		608	608	744 557
Loans and advances to customers	23 171 415			(351 569)	22 819 846				22 819 846
Held to maturity investments	14 415				14 415				14 415
Hedging derivatives	20 673			(236)	20 437				20 437
Other tangible assets	42 726	871			43 597		103	103	43 700
Intangible assets	24 557	171			24 728		14	14	24 742
Investment in associated companies and jointly controlled entities	67 504		61 485		128 989	492 064	53 904	545 968	674 957
Tax assets	470 270	2 554	(749)		472 075		749	749	472 824
Other assets	501 450	5 403	111	(43 971)	462 993		502	502	463 495
TOTAL ASSETS	**32 824 512**	**30 878**	**218 126**	**(870 057)**	**32 203 459**	**492 064**	**55 881**	**547 945**	**32 751 404**
LIABILITIES									
Resources of central banks	2 145 381				2 145 381				2 145 381
Financial liabilities held for trading	185 787			(1)	185 786				185 786
Resources of other credit institutions	1 577 862	508	96 455	(51 502)	1 623 323		821	821	1 624 144
Resources of customers and other debts	22 775 392			(439 922)	22 335 470				22 335 470
Debt securities	619 051			(350 160)	268 891				268 891
Financial liabilities relating to transferred assets	511 425				511 425				511 425
Hedging derivatives	77 964				77 964				77 964
Provisions	65 100		3 204		68 304		487	487	68 791
Technical provisions	1 923 575				1 923 575				1 923 575
Tax liabilities	14 361	563	(1 364)		13 560	47 754	5 777	53 531	67 091
Other subordinated debt and participating bonds	375 624			(1 792)	373 832				373 832
Other liabilities	610 023	5 420	17 812	(26 680)	606 575		161	161	606 736
TOTAL LIABILITIES	**30 881 545**	**6 491**	**116 107**	**(870 057)**	**30 134 086**	**47 754**	**7 246**	**55 000**	**30 189 086**
SHAREHOLDERS' EQUITY									
Shareholders' equity attributable to the shareholders of BPI	1 941 213	24 387	102 019		2 067 619	444 310	48 635	492 945	2 560 564
Non-controlling interests	1 754				1 754				1 754
TOTAL SHAREHOLDERS' EQUITY	**1 942 967**	**24 387**	**102 019**		**2 069 373**	**444 310**	**48 635**	**492 945**	**2 562 318**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32 824 512**	**30 878**	**218 126**	**(870 057)**	**32 203 459**	**492 064**	**55 881**	**547 945**	**32 751 404**
Investments made in:									
Property	46				46				46
Equipment and other tangible assets	789				789		11	11	800
Intangible assets	4 364				4 364		9	9	4 373

The BPI Group's income statement for the period ended on June 30, 2017, by segment, is as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	**Total**	Angola (BFA)	Others	**Total**		
Interest and similar income	228 358	(122)	174	(102)	228 308		34	34	(24)	228 318
Interest and similar expenses	(45 658)	(308)		102	(45 864)		(148)	(148)	24	(45 988)
Financial margin (narrow sense)	**182 700**	**(430)**	**174**		**182 444**		**(114)**	**(114)**		**182 330**
Gross margin on unit links	6 434				6 434					6 434
Income from equity instruments	3 980		2 421		6 401					6 401
Net commission relating to amortised cost	10 344				10 344					10 344
Financial margin	**203 458**	**(430)**	**2 595**		**205 623**		**(114)**	**(114)**		**205 509**
Technical result of insurance contracts	7 437				7 437					7 437
Commissions received	146 261	7 015		(21 608)	131 668		575	575		132 243
Commissions paid	(32 515)	(3 916)	(2)	21 608	(14 825)					(14 825)
Other income, net	14 478				14 478					14 478
Net commission income	**128 224**	**3 099**	**(2)**		**131 321**		**575**	**575**		**131 896**
Gain and loss on operations at fair value	11 567	2 808			14 375					14 375
Gain and loss on assets available for sale	776				776					776
Interest and financial gain and loss with pensions	(405)	(4)			(409)					(409)
Net income on financial operations	**11 938**	**2 804**			**14 742**					**14 742**
Operating income	21 977				21 977		35	35		22 012
Operating expenses	(32 720)	(16)	(28)		(32 764)	(174 851)	(1)	(174 852)		(207 616)
Other taxes	(5 311)	(93)			(5 404)		(30)	(30)		(5 434)
Net operating expenses	**(16 054)**	**(109)**	**(28)**		**(16 191)**	**(174 851)**	**4**	**(174 847)**		**(191 038)**
Operating income from banking activity	**335 003**	**5 364**	**2 565**		**342 932**	**(174 851)**	**465**	**(174 386)**		**168 546**
Personnel costs	(235 139)	(5 900)	(105)		(241 144)		(821)	(821)		(241 965)
General administrative costs	(83 574)	(1 876)	(13)		(85 463)		(250)	(250)		(85 713)
Depreciation and amortisation	(10 893)	(83)			(10 976)		(27)	(27)		(11 003)
Overhead costs	**(329 606)**	**(7 859)**	**(118)**		**(337 583)**		**(1 098)**	**(1 098)**		**(338 681)**
Recovery of loans, interest and expenses	9 088				9 088					9 088
Impairment losses and provisions for loans and guarantees,	(16 583)				(16 583)					(16 583)
Impairment losses and other provisions, net	3 843	2	(179)		3 666		(699)	(699)		2 967
Net income before income tax	**1 745**	**(2 493)**	**2 268**		**1 520**	**(174 851)**	**(1 332)**	**(176 183)**		**(174 663)**
Income tax	517	776	(1 098)		195	(47 469)	(475)	(47 944)		(47 749)
Earnings of associated companies (equity method)	4 260		4 730		8 990	106 670	5 051	111 721		120 711
Net income from continuing operations	**6 522**	**(1 717)**	**5 900**		**10 705**	**(115 650)**	**3 244**	**(112 406)**		**(101 701)**
Net income from discontinued operations										
Income attributable to non-controlling interests from continuing operations	(24)				(24)					(24)
Income attributable to non-controlling interests	**(24)**				**(24)**					**(24)**
Consolidated net income of the BPI Group	**6 498**	**(1 717)**	**5 900**		**10 681**	**(115 650)**	**3 244**	**(112 406)**		**(101 725)**
Cash flow after taxes	30 131	(1 636)	6 079		34 574	(115 650)	3 970	(111 680)		(77 106)

The BPI Group's balance sheet as of December 31, 2016 and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations				
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola (BFA)	Others	Total	Inter segment operations	BPI Group
ASSETS										
Cash and deposits at central banks	876 621				876 621					876 621
Deposits at other credit institutions	553 730	47 600	11 453	(312 594)	300 189		1	1		300 190
Financial assets held for trading and at fair value through profit or loss	1 951 317	251 777		(5 181)	2 197 913					2 197 913
Financial assets available for sale	3 811 436	612	64 386		3 876 434					3 876 434
Loans and advances to credit institutions	975 757	58 999	2 895	(401 169)	636 482		1 125	1 125		637 607
Loans and advances to customers	23 087 252			(351 494)	22 735 758					22 735 758
Held to maturity investments	28 530			(12 213)	16 317					16 317
Hedging derivatives	26 322			(520)	25 802					25 802
Non-current assets held for sale and discontinued operations						6 924 678		6 924 678	(628 768)	6 295 910
Other tangible assets	49 955	889			50 844		111	111		50 955
Intangible assets	25 387	229			25 616		13	13		25 629
Investment in associated companies and jointly controlled entities	67 951		62 883		130 834		44 844	44 844		175 678
Tax assets	469 933	1 735	(554)		471 114		734	734		471 848
Other assets	702 391	5 134	155	(65 015)	642 665		497	497	(45 172)	597 990
TOTAL ASSETS	**32 626 582**	**366 975**	**141 218**	**(1 148 186)**	**31 986 589**	**6 924 678**	**47 325**	**6 972 003**	**(673 940)**	**38 284 652**
LIABILITIES										
Resources of central banks	2 000 011				2 000 011					2 000 011
Financial liabilities held for trading	214 845	2 157		(4 289)	212 713					212 713
Resources of other credit institutions	1 734 950	(182)	26 818	(37 134)	1 724 452		755	755	(628 768)	1 096 439
Resources of customers and other debts	22 420 009	249 581		(701 909)	21 967 681					21 967 681
Debt securities	856 942			(350 172)	506 770					506 770
Financial liabilities relating to transferred assets	555 385				555 385					555 385
Hedging derivatives	97 849			(93)	97 756					97 756
Non-current liabilities held for sale and discontinued operations						5 990 262		5 990 262	(38 864)	5 951 398
Provisions	67 031		3 204		70 235					70 235
Technical provisions	2 048 829				2 048 829					2 048 829
Tax liabilities	10 132	358	(510)		9 980	6 693	5 333	12 026		22 006
Other subordinated debt and participating bonds	83 504			(14 004)	69 500					69 500
Other liabilities	804 456	6 104	6 954	(40 585)	776 929		6 783	6 783	(6 308)	777 404
TOTAL LIABILITIES	**30 893 943**	**258 018**	**36 466**	**(1 148 186)**	**30 040 241**	**5 996 955**	**12 871**	**6 009 826**	**(673 940)**	**35 376 127**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 730 865	108 957	104 752		1 944 574	461 449	34 454	495 903		2 440 477
Non-controlling interests	1 774				1 774	466 274		466 274		468 048
TOTAL SHAREHOLDERS' EQUITY	**1 732 639**	**108 957**	**104 752**		**1 946 348**	**927 723**	**34 454**	**962 177**		**2 908 525**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32 626 582**	**366 975**	**141 218**	**(1 148 186)**	**31 986 589**	**6 924 678**	**47 325**	**6 972 003**	**(673 940)**	**38 284 652**
Investments made in:										
Property	781				781	824		824		1 605
Equipment and other tangible assets	9 124				9 124	11 482	11	11 493		20 617
Intangible assets	8 414				8 414	6 511	10	6 521		14 935

The column "Inter segment operations" of the Non-current assets held for sale and discontinued operations caption corresponds to applications of BFA in Banco BPI and BPI Cayman in USD, EUR and GBP remunerated at an average interest rate of 0.5%.

The caption Other assets – Inter segment operations at December 31, 2016 includes 38 864 t.euro relating to dividends payable by BFA to Banco BPI for the year 2015. These dividends were received in January 2017.

The BPI Group's income statement for the period ended on June 30, 2016 Proforma, by segment, is as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	Total	Angola	Others	Total		
Interest and similar income	273 885	76		(658)	273 303		37	37	(203)	273 137
Interest and similar expenses	(95 159)	(716)	(135)	658	(95 352)		(249)	(249)	1 397	(94 204)
Financial margin (narrow sense)	**178 726**	**(640)**	**(135)**		**177 951**		**(212)**	**(212)**	**1 194**	**178 933**
Gross margin on unit links	7 051				7 051					7 051
Income from equity instruments	1 857		2 053		3 910					3 910
Net commission relating to amortised cost	10 558				10 558					10 558
Financial margin	**198 192**	**(640)**	**1 918**		**199 470**		**(212)**	**(212)**	**1 194**	**200 452**
Technical result of insurance contracts	13 495				13 495					13 495
Commissions received	145 583	6 147		(25 349)	126 381		361	361	(625)	126 117
Commissions paid	(35 380)	(5 321)	(3)	25 349	(15 355)					(15 355)
Other income, net	14 193	(1)			14 192					14 192
Net commission income	**124 396**	**825**	**(3)**		**125 218**		**361**	**361**	**(625)**	**124 954**
Gain and loss on operations at fair value	(6 743)	6 065			(678)		49	49		(629)
Gain and loss on assets available for sale	24 413	42			24 455					24 455
Interest and financial gain and loss with pensions	1 332	(4)			1 328					1 328
Net income on financial operations	**19 002**	**6 103**			**25 105**		**49**	**49**		**25 154**
Operating income	9 051				9 051		48	48		9 099
Operating expenses	(25 407)	(6)			(25 413)		(1)	(1)		(25 414)
Other taxes	(2 428)	(760)			(3 188)		(48)	(48)		(3 236)
Net operating expenses	**(18 784)**	**(766)**			**(19 550)**		**(1)**	**(1)**		**(19 551)**
Operating income from banking activity	**336 301**	**5 522**	**1 915**		**343 738**		**197**	**197**	**569**	**344 504**
Personnel costs	(147 922)	(3 329)	(112)		(151 363)		(913)	(913)		(152 276)
General administrative costs	(90 971)	(2 359)	(12)		(93 342)		(333)	(333)		(93 675)
Depreciation and amortisation	(10 700)	(53)			(10 753)		(56)	(56)		(10 809)
Overhead costs	**(249 593)**	**(5 741)**	**(124)**		**(255 458)**		**(1 302)**	**(1 302)**		**(256 760)**
Recovery of loans, interest and expenses	7 160				7 160					7 160
Impairment losses and provisions for loans and guar	(35 775)				(35 775)					(35 775)
Impairment losses and other provisions, net	(33 141)	4	(731)		(33 868)					(33 868)
Net income before income tax	**24 952**	**(215)**	**1 060**		**25 797**		**(1 105)**	**(1 105)**	**569**	**25 261**
Income tax	(19 017)	(57)	103		(18 971)	(3 295)	(207)	(3 502)		(22 473)
Earnings of associated companies (equity method)	4 854		12 876		17 730		3 627	3 627		21 357
Net income on continuing operations	**10 789**	**(272)**	**14 039**		**24 556**	**(3 295)**	**2 315**	**(980)**	**569**	**24 145**
Net income on discontinued operations						**164 426**		**164 426**	**(569)**	**163 857**
Income attributable to non-controlling interests from continuing operations	(23)				(23)					(23)
Income attributable to non-controlling interests from discontinued operations						(82 049)		(82 049)		(82 049)
Income attributable to non-controlling interes	**(23)**				**(23)**	**(82 049)**		**(82 049)**		**(82 072)**
Consolidated net income of the BPI Group	**10 766**	**(272)**	**14 039**		**24 533**	**79 082**	**2 315**	**81 397**		**105 930**
Cash flow after taxes	90 382	(223)	14 770		104 929	79 082	2 371	81 453		186 382

4. NOTES

4.1. Cash and deposits at Central Banks

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Cash	189 235	219 778
Demand deposits at the Bank of Portugal	791 225	653 066
Demand deposits at foreign Central Banks	2 943	3 777
	983 403	**876 621**

The caption “Demand deposits at the Bank of Portugal” includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. Currently, the component of these deposits made to comply with the minimum cash reserve requirements is remunerated at 0% and the surplus funds have an interest rate of -0.40%. The minimum cash reserve corresponds to 1% of the amount of deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum cash reserve system and the liabilities to the European Central Bank and national central banks that participate in the euro.

4.2. Deposits at other Credit Institutions

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Domestic Credit Institutions		
Demand deposits	18 681	13 365
Cheques for collection	62 506	62 299
Other	124	257
Foreign Credit Institutions		
Demand deposits	217 194	221 487
Cheques for collection	1 522	2 782
	300 027	**300 190**

Cheques for collection from domestic Credit Institutions correspond to cheques drawn by third parties against domestic credit institutions, which in general do not remain in this account for more than one business day.

4.3. Financial assets held for trading and at fair value through profit or loss

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Final assets held for trading		
Debt Instruments		
Bonds issued by Portuguese government entities	33 604	27 009
Bonds issued by foreign government entities	9 444	51 090
Bonds issued by other Portuguese entities		
Non-subordinated debt	4 232	9 870
Subordinated debt		108
Bonds issued by other foreign entities		
Non-subordinated debt	7 478	14 534
Subordinated debt	56	294
	54 814	**102 905**
Equity instruments		
Shares issued by Portuguese entities	102 332	121 368
Shares issued by foreign entities		169 550
	102 332	**290 918**
Other securities		
Participating units issued by Portuguese entities	203	208
Participating units issued by foreign entities	19 901	2
	20 104	**210**
	177 250	**394 033**
Financial assets at fair value through profit or loss		
Debt Instruments		
Bonds issued by Portuguese government entities	133 066	129 760
Bonds issued by foreign government entities	485 320	365 038
Bonds issued by other Portuguese entities		
Non-subordinated debt	87 191	138 759
Bonds issued by foreign financial entities		61 864
Bonds issued by other foreign entities		
Non-subordinated debt	453 620	238 664
Subordinated debt	1 089	4 702
	1 160 286	**938 787**
Equity instruments		
Shares issued by Portuguese entities	53	91
Shares issued by foreign entities	24	132
	77	**223**
Other securities		
Participating units issued by Portuguese entities	37 808	92 845
Participating units issued by foreign entities	865 816	592 104
	903 624	**684 949**
	2 063 987	**1 623 959**
Derivative instruments with positive fair value (Note 4.4)	**168 494**	**179 921**
	2 409 731	**2 197 913**

This caption includes the following assets hedging capitalisation insurance products issued by BPI Vida e Pensões:

	Jun. 30, 17	Dec. 31, 16
Debt Instruments		
Of public entities	618 387	494 798
Other entities	541 901	443 989
Equity Instruments	216	367
Other securities	897 382	678 203
	2 057 886	**1 617 357**

4.4. Derivatives

The caption "Derivative instruments held for trading" (Notes 4.3 and 4.16) is made up as follows:

	Jun. 30, 17			Dec. 31, 16		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	2 760	2	26	2 010	21	
Exchange rate swaps and forwards	1 697 264	751	228	1 099 467	1 906	139
Interest rate contracts						
Futures	37 538	41	5	40 821	2	5
Options	451 394	2 262	2 120	530 759	3 153	3 151
Swaps	4 421 624	151 508	164 468	4 581 330	165 415	194 127
Contracts over shares						
Futures	550	19		10 759		172
Swaps	702 518	7 656	14 032	388 401	1 005	12 478
Options	31			44		
Contracts over other underlying items						
Futures	184 615			180 629		
Other						
Options[2]	59 388	6	1	468 566	2 267	2 641
Other[3]	1 432 544	3 054		1 507 533	3 705	
Overdue derivatives		3 195			2 447	
	8 990 226	**168 494**	**180 880**	**8 810 319**	**179 921**	**212 713**

[1] In the case of swaps and forwards only the asset amounts were considered.

[2] Part of operations that are autonomous for accounting purposes, commonly referred to as "embedded derivatives".

[3] Corresponds to derivatives associated to financial liabilities relating to transferred assets (Note 4.20).

The caption "Hedging derivatives" is made up as follows:

	Jun. 30, 17			Dec. 31, 16		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	12 862	35		21 646		26
Swaps	7 067 413	20 402	77 964	6 986 033	25 797	97 574
Contracts over shares						
Swaps				225 046	5	156
	7 080 275	**20 437**	**77 964**	**7 232 725**	**25 802**	**97 756**

[1] In the case of swaps and forwards only the asset amounts were considered.

The BPI Group's operations include carrying out derivative transactions to manage its own positions based on expectations regarding market evolution, to meet the needs of its customers or hedge positions of a structural nature (hedging).

The BPI Group carries out financial derivative transactions in the form of contracts over exchange rates, interest rates, goods and metals future prices, shares or share indices (relating, among others, to inflation, shares) or a combination of these. These transactions are realised in over-the-counter (OTC) markets and in organised markets (especially stock exchanges).

Derivatives traded on organised markets follow the standards and rules of these markets.

Derivatives traded on the over-the-counter (OTC) markets are normally based on a standard bilateral contract that covers the group of operations over derivatives between the parties. In the case of inter-professional relationships, there is an ISDA – International Swaps and Derivatives Association Master Agreement. In the case of relations with customers there is a standard BPI contract.

These types of contract include offsetting responsibilities in the event of non-compliance (the scope of the offsetting is established in the contract itself and is regulated by Portuguese legislation and, in the case of contracts with foreign counterparties or subject to foreign legislation, by the appropriate legislation).

Derivative contracts can also include an agreement to collateralise the credit risk generated by the transactions covered by them. Derivative contracts between two parties normally include all the derivative OTC transactions carried out between the two parties, irrespective of whether they are for hedging purposes or not.

In accordance with IAS 39, the parts of operations normally known as “embedded derivatives” are also considered separately and recorded as derivatives, in order to recognise, in net income, the fair value of these operations.

All derivatives (embedded or autonomous) are recorded at market value.

Derivatives are also recorded as off balance sheet items by their theoretical value (notional value). Notional value is the reference value for purposes of calculating the flow of payments and receipts resulting from the operation.

Market value (fair value) corresponds to the value of the derivatives if they were traded on the market on the reference date. Changes in the market value of derivatives are recognised in the appropriate balance sheet accounts and have an immediate effect on net income.

Note 4.47 includes details of the valuation methods used to determine the fair value of derivative financial instruments.

The amount of the exposure corresponds to the present value of the estimated loss, in the case of counterparty default. In the case of a derivative contract that establishes the compensation of responsibilities in the event of non-compliance, the amount of the exposure is the sum of the market values of the operations covered by the contract, when positive. In the case of operations for which the contract does not establish the compensation of responsibilities, the amount of the exposure is equal to the sum of the market values of each individual transaction, when positive. The scope of the compensation clauses, in the case of default, is considered by the BPI Group on a conservative perspective, considering that, in the case of doubt, compensation does not exist.

The potential loss in a group of derivative operations on a given date corresponds to the amount of the exposure on that date. In futures contracts, the stock markets being the counterparties for the BPI Group’s operations, the credit risk is eliminated daily through financial settlement. For medium and long term derivatives, contracts usually provide for the netting of outstanding balances with the same counterparty, which eliminates or reduces credit risk. Additionally, in order to control credit risk on OTC derivatives, some agreements have also been signed under which the Bank receives from, or transfers to, the counterparty assets (in cash or in securities) to guarantee fulfilment of the obligations.

At June 30, 2017 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	>6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 591 147**	**80 674**	**25 443**			**1 697 264**
Forwards	85 185	56 119	12 193			153 497
Swaps	1 505 962	24 555	13 250			1 543 767
Interest rate contracts	**974 379**	**637 623**	**1 469 089**	**6 062 199**	**2 797 141**	**11 940 431**
Swaps	850 954	547 918	1 387 554	5 918 348	2 784 263	11 489 037
Options	123 425	89 705	81 535	143 851	12 878	451 394
Contracts over indexes and shares	**593 505**	**69 953**	**20 060**	**19 031**		**702 549**
Swaps	593 505	69 953	20 060	19 000		702 518
Options				31		31
Other				**1 149 013**	**342 919**	**1 491 932**
Options				37 263	22 125	59 388
Other				1 111 750	320 794	1 432 544
	3 159 031	**788 250**	**1 514 592**	**7 230 243**	**3 140 060**	**15 832 176**
Organized markets						
Exchange rate contracts	**2 760**					**2 760**
Futures	2 760					2 760
Interest rate contracts	**30 400**			**20 000**		**50 400**
Futures	30 400			20 000		50 400
Contracts over indexes and shares	**550**					**550**
Futures	550					550
Contracts over other underlying items	**184 615**					**184 615**
Futures	184 615					184 615
	218 325			**20 000**		**238 325**
	3 377 356	**788 250**	**1 514 592**	**7 250 243**	**3 140 060**	**16 070 501**

At December 31, 2016 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	>6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 031 323**	**47 320**	**20 824**			**1 099 467**
Forwards	111 964	46 060	19 680			177 704
Swaps	919 359	1 260	1 144			921 763
Interest rate contracts	**975 477**	**706 728**	**1 632 201**	**5 998 379**	**2 785 337**	**12 098 122**
Swaps	918 943	531 166	1 509 630	5 833 478	2 774 146	11 567 363
Options	56 534	175 562	122 571	164 901	11 191	530 759
Contracts over indexes and shares	**435 160**	**146 883**	**12 404**	**19 044**		**613 491**
Swaps	435 160	146 883	12 404	19 000		613 447
Options				44		44
Other	**200 366**	**242 195**		**1 171 492**	**362 046**	**1 976 099**
Options	200 366	242 195		3 002	23 003	468 566
Other				1 168 490	339 043	1 507 533
	2 642 326	**1 143 126**	**1 665 429**	**7 188 915**	**3 147 383**	**15 787 179**
Organized markets						
Exchange rate contracts	**2 010**					**2 010**
Futures	2 010					2 010
Interest rate contracts	**62 467**					**62 467**
Futures	62 467					62 467
Contracts over indexes and shares	**10 759**					**10 759**
Futures	10 759					10 759
Contracts over other underlying items	**180 629**					**180 629**
Futures	180 629					180 629
	255 865					**255 865**
	2 898 191	**1 143 126**	**1 665 429**	**7 188 915**	**3 147 383**	**16 043 044**

At June 30, 2017 the distribution of derivative operations, by counterparty external rating, was as follows:

	Jun. 30, 17			
	Notional Value[1]	**Gross exposure [2]**	**Exposure considering netting[3]**	**Net exposure[4]**
Over-the-counter market (OTC)				
AA-	147 132	505		
A+	1 485 591	6 439		
A	3 093 227	8 702	349	189
A-	75 137	3 787		
BBB+	1 171 261	6 772	5 289	2 006
BBB	1 764 101	7 251	1 262	
BB	35 720			
BB-	301 508	5 200	1 918	
Rating Project Finance				
Strong	47 457	6 334	6 334	6 247
Good	634 977	92 074	92 074	88 425
Satisfactory	87 304	21 993	21 993	18 901
Weak	40 750	10 449	10 448	9 926
Default	38 462	9 529	9 528	7 888
Other internal ratings				
1 a 3	88 299	1 174	1 106	1 109
4 a 6	446 610	1 815	1 527	1 523
7 a 10	4 510	336	327	317
D1 a D3	1 771	128	128	96
No Rating				
N.R.	1 032 109	1 209	865	857
Traded on Central Counterparties	3 844 318	10 544	6 511	2 568
Traded on the stock exchange				
Futures[5]	238 325			
	14 578 569	**194 241**	**159 659**	**140 052**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by Moodys, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there were diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

[1] Does not include embedded derivatives and other options in the amount of 1491932 t. euro.

[2] Gross exposure used for risk management purposes, without considering netting agreements, collateral and value adjustment due to credit risk.

[3] Amount of exposure without considering collateral and value adjustment due to credit risk.

[4] Amount of exposure considering netting agreements and collateral. The amount of possible exposure from excess collateral placed by BPI in its counterparties is not classified as derivative exposure.

[5] The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

At December 31, 2016 the distribution of derivative operations, by counterparty external rating, was as follows:

	Dec. 31, 16			
	Notional Value[1]	Gross exposure [2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	474 322	2 417	278	
A+	1 718 698	10 572		
A	3 235 100	17 456	10 919	525
A-	282 076	6 088	9	9
BBB+	1 329 795	12 090	3 580	1 450
BBB	1 550 200	6 793		
BBB-				
BB	24 239	249	249	249
BB-	63 824	5 936	2 297	137
Rating Project Finance				
Strong	87 500	16 131	16 131	15 876
Good	524 884	93 545	93 545	88 115
Satisfactory	124 764	28 482	28 482	24 508
Weak				
Default	80 749	22 606	22 606	20 174
Other internal ratings				
1 a 3	93 493	2 508	2 272	2 269
4 a 6	467 516	3 808	2 953	2 945
7 a 10	19 385	1 003	797	756
D1 a D3	13 348	1 535	1 535	320
No Rating				
N.R.	1 113 167	2 172	2 117	2 090
Traded on Central Counterparties	2 608 020	1 334		
Traded on the stock exchange				
Futures[5]	255 865			
	14 066 945	**234 725**	**187 770**	**159 423**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributted by Moodys, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there were diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

[1] Does not include embedded derivatives and other options in the amount of 1 976 099 t. euro.

[2] Gross exposure used for risk management purposes, without considering netting agreements, collateral and value adjustment due to credit risk.

[3] Amount of exposure without considering collateral and value adjustment due to credit risk.

[4] Amount of exposure considering netting agreements and collateral. The amount of possible exposure from excess collateral placed by BPI in its counterparties is not classified as derivative exposure.

[5] The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

4.5. Financial assets available for sale

This caption is made up as follows:

	Jun 30, 17	Dec. 31, 16
Debt instruments		
Bonds issued by Portuguese government entities		
Treasury bills	1 951 135	1 909 026
Treasury bonds	328 223	338 548
Bonds issued by foreign government entities	1 144 224	1 180 982
Bonds issued by other Portuguese entities	30 762	30 512
Bonds issued by other foreign entities	54 979	123 873
	3 509 323	**3 582 941**
Equity instruments		
Shares issued by Portuguese entities	62 297	62 161
Impairment	(28 280)	(28 187)
Quotas	56 567	58 934
Shares issued by foreign entities	31 980	42 843
Impairment	(18 605)	(18 680)
	103 959	**117 071**
Other securities		
Participating units issued by Portuguese entities	202 817	214 037
Impairment	(54 091)	(53 958)
Participating units issued by foreign entities	18 638	17 719
Impairment	(1 784)	(1 784)
	165 580	**176 014**
Loans and other receivables	408	4 794
Impairment		(4 386)
	408	**408**
	3 779 270	**3 876 434**

Banco BPI holds a portfolio of fixed rate bonds, issued by national and international entities, in which the interest rate risk is hedged by derivative instruments.

The caption “Loans and other receivables” corresponds to shareholders’ loans to, and supplementary capital contributions in, companies classified as financial assets available for sale.

In the review made by the Bank, no impaired securities were identified, other than the amounts already recognised.

The changes in impairment losses and provisions during the first half of 2017 and 2016 are shown in Note 4.21.

At June 30, 2017 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit: Nominal	Amounts per unit: Listing / Price	Cost	Book Value / Fair Value [1]	Net gain/ (loss) on securities [2]	Hedge accounting effect [2]	Impairment
Debt Instruments								
Issued by Portuguese Entities								
Portuguese Public debt								
Treasury bills								
BILHETES DO TESOURO-CZ-16.03.2018	252 288 000	1.00	1.00	252 582	252 692	173		
BILHETES DO TESOURO-CZ-17.11.2017	403 574 000	1.00	1.00	403 883	404 038	234		
BILHETES DO TESOURO-CZ-18.05.2018	262 092 000	1.00	1.00	262 625	262 590	(13)		
BILHETES DO TESOURO-CZ-19.01.2018	407 130 000	1.00	1.00	407 486	407 688	299		
BILHETES DO TESOURO-CZ-21.07.2017	204 570 000	1.00	1.00	204 578	204 605	30		
BILHETES DO TESOURO-CZ-22.09.2017	419 216 000	1.00	1.00	419 332	419 522	249		
				1 950 486	**1 951 135**	**972**		
Treasury Bonds								
OT - 4.35%(16.10.2017)	60 000	0.01	101.25	93	63			
OT - 4.35%(16.10.2017)	500 000	0.01	0.01	525	522	4		
OT-4.75%-14.06.2019	300 000 000	0.01	0.01	318 513	327 559	22 622	(21779)	
OT-4.8%-15.06.2020	70 000	0.01	113.08	79	79	2		
				319 210	**328 223**	**22 628**	**(21 779)**	
Other Residents								
Non - Subordinated debt								
Other Bonds								
VIOLAS-SGPS SA-TV-06.11.2023	30 000 000		102.21	30 000	30 762	663		
				30 000	**30 762**	**663**		
Issued by non - residents								
By foreign government entities								
Bonds								
BUONI ORDINARI DEL TES.-CZ-29.12.2017	100 000 000	1000.00	1001.84	100 186	100 183	1		
BUONI ORDINARI DEL TES-31.08.2017-CZ	50 000 000	1000.00	1000.63	50 057	50 032	(1)		
BUONI ORDINARI DEL TES-CZ-13.10.2017	40 000 000	1000.00	1001.19	40 094	40 048	21		
BUONI ORDINARI DEL TES-CZ-14.03.2018	50 000 000	1000.00	1002.54	50 112	50 127	49		
BUONI ORDINARI DEL TES-CZ-14.08.2017	60 000 000	1000.00	1000.59	60 095	60 035	18		
BUONI ORDINARI DEL TES-CZ-14.11.2017	50 000 000	1000.00	1001.45	50 108	50 073	23		
BUONI ORDINARI DEL TES-CZ-29.09.2017	110 000 000	1000.00	1000.92	110 159	110 101	5		
BUONI ORDINARI DEL TES-CZ-30.11.2017	40 000 000	1000.00	1001.53	40 065	40 061	(3)		
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1000.00	1076.92	185 458	191 064	11 638	(12 105)	
SPAIN LETRAS DEL TESORO-08.12.2017-CZ	67 000 000	1000.00	1001.67	67 156	67 112	10		
SPAIN LETRAS DEL TESORO-13.10.2017-CZ	135 000 000	1000.00	1001.10	135 266	135 149	16		
SPAIN LETRAS DEL TESORO-18.08.2017-CZ	80 000 000	1000.00	1000.50	80 146	80 040	2		
SPAIN LETRAS DEL TESORO-CZ-15.09.2017	90 000 000	1000.00	1000.90	90 172	90 081	15		
SPAIN LETRAS DEL TESORO-CZ-17.11.2017	80 000 000	1000.00	1001.48	80 160	80 118	4		
				1 139 234	**1 144 224**	**11 798**	**(12 105)**	
Others non residents								
Non - subordinated debt								
Bonds								
BARCLAYS BANK PLC-TV-19.06.2018	2 127 189	30 388.42	23 583.23	1 536	1 651	(474)		
C8 CAPITAL SPV -TV - PERPETUA	56 957 589	876.27	806.17	56 718	52 401	(4 557)		
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000.00	71 970.00	794	579	(224)		
KION MORTGAGE FIN SR.06-1 CL.A-15.07.51	45 009	703.26	606.64	45	39	(6)		
MADRID RMBS FTA-SR.06-1 CL.A2-22.06.2049	157 573	39 393.27	38 337.32	155	153	(2)		
				59 248	**54 823**	**(5 263)**		
Subordinated debt								
Bonds								
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000.00	77 750.00	198	156	(45)		
				198	**156**	**(45)**		
				59 446	**54 979**	**(5 308)**		

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book Value / Fair Value [1]	Net gain/ (loss) on securities [2]	Hedge accounting effect [2]	Impairment
		Nominal	Listing / Price					
Equity instruments								
Issued by residents								
Shares								
AGROGARANTE SA	84 850	1.00	1.00	85	85			
ALBERTO GASPAR, SA (CÓD LB0001: 92020020501)	60 000	5.00	0,000	141				141
APOR-AG.P/MODERNIZAÇAO PORTO - CL.B	5 665	5.00		26	26			
BOAVISTA FUTEBOL CLUBE, FUTEBOL,SAD	21 900	5.00		110				110
BOMBARDIER TRANSPORTATION PORTUGAL SA	1	5.00						
BUCIQUEIRA SGPS	8	5.00		1	1			
Cª AG.FONTE SANTA MONFORTINHO-D.SUB/E.98	10	5.00						
CIMPOR - CIM.DE PORTUGAL-SGPS	3 565	1.00	0.35	6	1	(5)		
CITEVE-QUOTA ASSOCIACAO	20	498.80		10	10			
COMPª AURIFICIA - N	1 186	7.00	1388.90	24	1647	1623		
COMPª PRESTAMISTA PORTUGUEZA	10	1.00						
COMPª.FIAÇAO E TECIDOS DE FAFE - P	168	4.99						
CONDURIL, SA (C)	184 262	5.00	45.26	805	8 340	7 535		
CORTICEIRA AMORIM - SGPS	127 419	1.00	12.86	315	1639	1 564		241
DIGITMARKET-SIST.INF.-N	4 950	1.00		743				743
EMP.CINEMATOGRAFICA S.PEDRO	100	4.99						
ESENCE - SOC.NAC.CORTICEIRA - N	54 545	4.99						
ESTAMPARIA IMPERIO-EMP.IND.IMOBILIARIOS	170	4.99		1	1			
EURODEL-IND.METALURGICAS E PARTICIPAÇOES	8	5.00						
F.I.T.-FOM.IND.TOMATE - P	148	4.99		3	3			
FAB. VASCO DA GAMA - IND.TRANSF.	33	4.99		1	1			
GARVAL - SOCIEDADE DE GARANTIA MUTUA	154 110	1.00	1.00	154	154			
GEIE - GESTÃO ESPAÇOS INC.EMPRESARIAL(C)	12 500	1.00		13				13
GESTINSUA - AQ.AL.PATRIMONIOS IMOB.MOB.	430	5.00		2				2
IMPRESA SGPS	6 200 000	0.50	0.48	22 791	2 957	1778		21 613
INEGI-INST.ENG.MECANICA-QUOTA ASSOCIAÇAO	5 000	1.00		25	25			
INTERSIS AUTOMAÇAO, ENG.DE SISTEMAS	42 147	4.99		1 307				1 307
J.SOARES CORREIA-ARMAZENS DE FERRO	84	5.00		2	2			
LISGARANTE - SOC.DE GARANTIA MUTUA	74 695	1.00	1.00	75	75			
LISNAVE - EST.NAVAIS	180	5.00		1	1			
MARGUEIRA-SOC.GEST.DE FUNDOS INV.IMOB.-N	3 511	5.00		18	18			
MATUR-SOC.EMPREEND.TURISTICOS MADEIRA-N	4	5.00						
MATUR-SOC.EMPREEND.TURISTICOS MADEIRA-P	13 175	5.00		143				143
METALURGIA CASAL - P	128	4.99		1	1			
MIMALHA, SA (CÓD LB0001: 92017022101)	40 557	4.99	0,000	335				335
MORETEXTILE,SGPS,SA	711	1.00		1	1			
NET - NOVAS EMPRESAS E TECNOLOGIAS - N	20 097	5.00	1.55	73	31	(42)		
NEWPLASTICS	1 445	1.00		1	1			
NEXPONOR-SICAFI	1 933 840	5.00	3.97	9 669	7 687	282		2 264
NORGARANTE - SOC.DE GARANTIA MUTUA	104 610	1.00	1.00	105	105			
NOTORIOUSWAY, SA	2 500	1.00		3	3			
NUTROTON SGPS - C	11 395	5.00	4.38	50	50			
OFICINA DA INOVACAO	10 000	5.00	6.88	50	69	29		10
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5.00	5.71	2 691	2 859	168		
SANJIMO - SOCIEDADE IMOBILIARIA	1 620	4.99		8				8

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book Value / Fair Value [1]	Net gain/ (loss) on securities [2]	Hedge accounting effect [2]	Impairment
		Nominal	Listing / Price					
Shares (cont.)								
SAPHETY LEVEL - TRUSTED SERVICES	5 069	1.00		98				98
SDEM -SOC.DE DESENV.EMPR.MADEIRA,SGPS-N	937 500	1.00	0.12	937	116			821
SENAL-SOC.NAC.DE PROMOÇÃO DE EMPRESAS-P	450	0.50						
SIBS - SGPS, SA	738 455	5.00		3 115	3 115			
SOC.CONSTRUÇÕES ERG	50	4.99						
SOC.CONSTRUÇÕES ERG (EM.93) - IR (C)	6	4.99						
SOC.INDUSTRIAL ALIANÇA (VN 500.$00)	1	2.49						
SOFID-SOC.P/FIN.DES.-INST.FIN.CREDITO SA	1 000 000	0.90	0.88	1 250	885			365
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1 420	2.50						
SONAE - SGPS	36 868	1.00	0.97	69	36	22		55
SOPEAL-SOC.PROM.EDUC.ALCACERENSE	100	4.99						
SPI-SOC PORTUGUESA DE INOVACAO	1 500	5.00		7	7			
STAR - SOC. TURISMO E AGENCIAS RIBAMAR	533	4.99		3				3
TAEM - PROCESSAMENTO ALIMENTAR,SGPS, SA	125	1.00						
TAGUSPARQUE - N	436 407	5.00		2 177	2 177			
TEXTIL LOPES DA COSTA	4 900	4.99		8				8
TUROPA-OPERADORES TURISTICOS	5	4.99						
UNICER - BEBIDAS DE PORTUGAL	1 002	1.00	8.07	8	8			
VIALITORAL - CONC. RODOVIARIA MADEIRA	4 750	161.25	395.74	792	1 880	1 088		
VNCORK SGPS	151	1.00						
				48 253	**34 017**	**14 042**		**28 280**
Quotas								
VIACER - SOC.GEST.PART.SOCIAIS, SA		1.00		48 160	56 567	8 408		
				48 160	**56 567**	**8 408**		
Issued by non residents								
Shares								
ABANCA CORPORACION BANCARIA SA	18 588	1.00		29				29
ALTITUDE SOFTWARE B.V.	6 386 243	0.04		13 810				13 810
AMSCO -USD	1 807	876.27		876				876
CAIXABANK ELECTRONIC MONEY, EDE, SL	35 000	1.00		88	88			
CLUB FINANCIERO VIGO	1	15 626.31		18	12			6
CORPORACIÓN FINANCIERA ARCO (TROCA ARCO BODEGA	7 786	100.00	72.77	4 398	566			3 832
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			
EASDAQ NV	100	1.42		25				25
EUROPEAN INVESTMENT FUND	14	1 000 000.00	423 006.03	4 125	5 922	1 797		
INTERBANCOS								
OSEO - SOFARIS	13	107.89	107.89	2	2			
S.W.I.F.T.	97	125.00		216	216			
THARWA FINANCE - MAD	20 895			193	270	77		
UNIRISCO GALICIA	80	1 202.02	1 322.30	96	106	36		27
VISA INC-CLASS C	6 002	0.00	1 031.58	5 108	6 192	1 084		
				28 985	**13 375**	**2 994**		**18 605**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book Value / Fair Value [1]	Net gain/ (loss) on securities [2]	Hedge accounting effect [2]	Impairment
		Nominal	Listing / Price					
Other								
Issued by residents								
Participating Units								
EGP-UNIVERSITY OF PORTO BUS.SCHOOL ASS.	2	4.99		70	70			
FCR-F-HITEC (ES VENTURES)	500 000	1.00	1.04	500	521	21		
FCR-FUNDO CARAVELA	3 121	3 080.46	2 227.89	9 696	6 953	700		3 443
FCR-FUNDO INTER-RISCO II - CL.A	7 500	3 481.27	1 901.26	26 110	14 260	365		12 215
FCR-FUNDO INTER-RISCO II CI-CLASSE A	6 000	5 000.00	4 540.35	30 144	27 242	(2 902)		
FCR-FUNDO RECUPERACAO-CATEGORIA B	80 896	1 000.00	684.52	80 896	55 375	1 829		27 350
FCR-FUNDO RECUPERACAO-CATEGORIA C	17 031	1 000.00	684.52	17 031	11 658	385		5 758
FCR-FUNDO REESTRUTURAÇÃO EMPRESARIAL	5 607	1 000.00	954.22	5 607	5 350	(257)		
FCR-FUNDO REVITALIZAR CENTRO	7 272 727	1.00	1.06	7 273	7 711	438		
FCR-FUNDO REVITALIZAR NORTE	7 156 881	1.00	0.93	7 157	6 674	(483)		
FCR-FUNDO REVITALIZAR SUL - CAT.A2	1 685 919	1.00	1.00	1 686	1 682	(4)		
FCR-FUNDO REVITALIZAR SUL - CAT.B2	1 774 612	1.00	1.00	1 775	1 770	(5)		
FCR-FUNDO REVITALIZAR SUL - CAT.C2	1 190 442	1.00	1.00	1 190	1 187	(3)		
FCR-PORTUGAL GLOBAL VENTURES I	6 269	10.00	8.27	69	52			17
FCR-PORTUGAL VENTURES GPI	6	25 000.00	20 504.72	130	122	7		15
FCR-PORTUGAL VENTURES TURISMO	164	24 939.89	9 094.13	3 568	1 492	233		2 309
FCR-PORTUGAL VENTURES VALOR 2	131	3 420.24	4 179.26	2 630	546	101		2 185
FCR-PORTUGAL VENTURES-FIEP	2 808	1 000.00	928.74	2 808	2 608	525		725
FCR-PV ACTEC II - CATEGORIA A1	9 096	1.00	0.37	10	3			7
FCR-PV ACTEC II - CATEGORIA B1	285 659	1.00	0.92	331	264			67
FCR-TURISMO INOVACAO CAT.B	10	50 000.00	16 201.38	504	163	(341)		
FEIIF-UNICAMPUS	3 000	1 000.00	1 007.66	3 000	3 023	23		
				202 185	**148 726**	**632**		**54 091**
Issued by non residents								
Participating Units								
FUNDO BPI-EUROPA	23 405	0.01	12.70	171	297	126		
FUNDO PATHENA SCA SICAR (B)	10 000 000	1.00	0.96	10 096	9 629	(467)		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	7 486 729	1.00	0.93	7 487	6 928	1 225		1 784
				17 754	**16 854**	**884**		**1 784**
Loans and others receivables								
Loans and Shareholder's loans								
PETROCER SGPS, LDA					200			
SAPHETY LEVEL - TRUSTED SERVICES SA					208			
					408			
				3 843 713	**3 779 270**	**57 713**	**(33 884)**	**102 760**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.29).

In the last quarter of 2015 Visa Inc. launched a public offering to acquire 100% of the share capital of Visa Europe Limited, an operation which was concluded on June 21, 2016. At December 31, 2015 the total amount receivable by Banco BPI, S.A. was estimated at 20.8 million euro, of which 15.5 million euro in cash and the remainder in Visa Inc. preference shares. At that date Banco BPI valued its participation in Visa Europe considering only the cash component, by corresponding entry to the equity caption “Revaluation reserves”. In addition, also by corresponding entry to equity in the caption “Deferred tax reserves”, the Bank recorded the related deferred tax liability relating to the tax expected to be paid on the date of completion of the transaction. At that date, in the valuation of the share in Visa Europe the Bank attributed zero value to the component receivable in preference shares of Visa Inc. This decision was based on the fact that at December 31, 2015 the Bank had no information to enable it to reliably value that component.

On June 21, 2016 this transaction was closed with the following amount for Banco BPI:

(i) cash of 16 528 t. euro received on the closing date of the transaction (June 21, 2016);

(ii) deferred cash in the amount of 1 427 t euro receivable in a single payment on the third anniversary of the closing of the transaction (June 21, 2019). At the closing date of the transaction the Bank recorded the present value of the amount receivable from Visa Inc. in 2019, considering a discount rate of 4%, at the amount of 1 274 t.euro;

(iii) receipt of 6 002 preference shares of Visa Inc.. In determining the fair value of the preference shares, Banco BPI used the conversion factor of the preference shares into the ordinary shares initially established by Visa Inc. and the market price of the ordinary shares of Visa Inc. on the closing date of the transaction. Banco BPI applied an haircut to the amount obtained, to reflect a discount due to the lack of liquidity of the preference shares and the uncertainty relating to the outcome of current and possible lawsuits. The fair value of the preferred shares of Visa Inc. calculated by the Bank on the closing date of this transaction amounted to 5 143 t.euro.

Thus, Banco BPI, S.A. recognized a gain, before tax, in the first half of 2016 in the amount of 22 945 t. euro, which was recorded in the statement of income caption Net income on financial operations (Note 4.39).

Banco BPI carried out a series of operations relating to the transfer of financial assets (Loans to customers) to specialized credit recovery funds (Fundo de Recuperação, FCR and Fundo de Reestruturação Empresarial FCR). These funds aim to recover companies that, despite having financial difficulties, have sustainable business models.

In addition, under the transfer of asset operations, the Bank subscribed:
- participating units in the credit recovery funds and in the companies controlled by those funds;
- shares and shareholders’ loans of companies controlled by those funds.

The credit recovery funds in which Banco BPI participates have a specific management structure, fully independent of the Bank and are held by several banks in the market (which are credit transferors). The Bank holds a minority interest in these funds.

At June 30, 2017 and December 31, 2016, the portfolio of financial assets available for sale included 61 302 t. euro and 64 815 t. euro, respectively, relating to securities and shareholders’ loans subscribed for by Banco BPI under transfer of assets operations:

Jun. 30, 17			
Subscribed securities under operations of transfer of assets			
	Participating units and shares	**Impairment in participating units and shares**	**Net Value**
Fundo de Recuperação, FCR [1]	90 864	(33 107)	57 757
Fundo de Reestruturação Empresarial, FCR	3 545		3 545
	94 409	(33 107)	61 302

Notes: Amounts net of unrealized subscribed capital recorded in the caption Other liabilities.

[1]Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway SA, Newplastics SA, Vncork SGPS SA, TAEM - Processamento Alimentar SGPS SA and Moretextile SA.

Dec. 31, 16			
Subscribed securities under operations of transfer of assets			
	Participating units and shares	**Impairment in participating units and shares**	**Net Value**
Fundo de Recuperação, FCR [1]	94 384	(33 107)	61 277
Fundo de Reestruturação Empresarial, FCR	3 538		3 538
	97 922	(33 107)	64 815

Notes: Amounts net of unrealized subscribed capital recorded in the caption Other liabilities.

In 2016, the shareholder's loans associated with securities subscribed under the transfer of assets operations, were subject to asset write off.

[1] Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway SA, Newplastics SA, Vncork SGPS SA, TAEM - Processamento Alimentar SGPS SA and Moretextile SA.

Operations relating to the transfer of assets carried out by Banco BPI include the sale of loans granted to operating industrial and hospitality companies, which, because of the change of the economic environment, were having difficulties in complying with their financial commitments to the Bank. All the assets sold correspond to loans to corporate customers of Banco BPI, no real estate having been traded.

Following the ceding of loan operations, they were derecognized from the balance sheet, as all the requirements of IAS 39 on this matter were fulfilled, namely transfer of a substantial part of the risks and benefits relating to the ceded loan operations, and therefore control. Additionally, Banco BPI does not consolidate the funds and companies that own the assets as it only holds a minority participation in them. The loans sold, net of impairment, totalled 78 497 t. euro at June 30, 2017 and December 31, 2016.

	Jun. 30, 17			
	Amounts related to the transferred assets			
	Gross assets transferred	**Impairment on transferred assets**	**Sale amount**	**Result on the sale date [1]**
Fundo de Recuperação, FCR [2]	123 730	48 967	98 289	10 635
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	127 464	**48 967**	**102 023**	**10 635**

[1] The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.

[2] Includes sales to companies controlled by Fundo de Recuperação, FCR.

	Dec. 31, 16			
	Amounts related to the transferred assets			
	Gross assets transferred	**Impairment on transferred assets**	**Sale amount**	**Result on the sale date [1]**
Fundo de Recuperação, FCR [2]	123 730	48 967	98 289	10 635
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	127 464	48 967	102 023	10 635

[1] The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.

[2] Includes sales to companies controlled by Fundo de Recuperação, FCR.

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Loans to the Bank of Portugal	4 500	
Loans and advances to other Portuguese credit institutions		
Very short term applications	8 415	
Deposits	149 017	142 252
Other loans	126 600	81 500
Purchased transactions with resale agreement	99 981	
Other advances	98	26
Accrued interest	282	251
	384 393	**224 029**
Loans and advances to other foreign Central Banks		
Loans and advances to other foreign credit institutions		
Very short term applications	50 450	68 968
Deposits	37 006	54 861
Loans	44	44
Other loans and advances	5 226	957
Other applications	262 757	288 339
Interest receivable	177	409
	355 660	**413 578**
Commission relating to amortised cost (net)	4	
	744 557	**637 607**

4.7. Loans and advances to customers

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Loans		
Domestic loans		
Companies		
Discount	80 923	81 704
Loans	5 338 071	5 272 738
Commercial lines of credit	174 583	139 649
Demand deposits - overdrafts	224 300	142 672
Invoices received - factoring	397 051	494 599
Finance leasing	417 887	384 554
Real estate leasing	353 115	341 367
Other loans	51 427	48 280
Loans to individuals		
Housing	10 827 391	10 838 706
Consumer	866 302	807 909
Other loans	579 015	429 418
Foreign loans		
Companies		
Discount	1 537	3 042
Loans	871 892	1 027 035
Commercial lines of credit	28 737	43 965
Demand deposits - overdrafts	3 367	5 455
Invoices received - factoring	536	1 175
Finance leasing	973	1 022
Real estate leasing	311	360
Other loans		
Loans to individuals		
Housing	26 871	31 816
Consumer	9 688	11 038
Other loans	21 210	21 183
Accrued interest	35 737	44 989
	20 310 924	**20 172 676**
Securities		
Issued by Portuguese government entities	191 342	137 030
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 310 900	1 318 667
Commercial paper	787 941	818 546
Subordinated debt securities	11 800	11 800
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	183 935	240 168
Commercial paper	7 492	
Accrued interest	12 109	10 989
Deferred interest	(114)	(142)
	2 505 405	**2 537 058**
Correction of the amount of hedged assets	22 730	29 890
Commissions relating to amortised cost (net)	222	508
	22 839 281	**22 740 132**
Overdue loans and interest	654 673	690 826
Loan impairment	(674 108)	(695 200)
	22 819 846	**22 735 758**

Loans and Advances to Customers include the following non-derecognised securitised assets:

	Jun. 30, 17	Dec. 31, 16
Non-derecognised securitised assets [1]		
Loans		
Housing	1 366 360	1 444 486
Loans to SME's	3 335 262	3 245 545
Accrued interest	9 415	11 142
	4 711 037	**4 701 173**

[1] Excluding overdue loans and interest.

The loans subject to securitisation operations carried out by Banco BPI were not derecognised from the Bank's balance sheet and are recorded under the caption "Loans". The amounts received by Banco BPI from these operations are recorded under the caption "Liabilities relating to assets not derecognised in securitisation operations" (Notes 2.3.4 and 4.20).

At June 30, 2017 and December 31, 2016 the caption "Loans and advances to customers" also included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 4.19), namely:

- 6 834 284 t. euro and 6 501 785 t. euro, respectively, allocated as collateral to mortgage bonds,
- 707 665 t. euro and 715 120 t. euro, respectively, allocated as collateral to public sector bonds.

The securities portfolio includes the following assets to cover capitalisation insurance contracts issued by BPI Vida e Pensões:

	Jun. 30, 17	Dec. 31, 16
Debt instruments		
Issued by Portuguese government entities	50 000	50 000
Issued by other Portuguese entities	1 002 558	1 010 398
Issued by other foreign entities	186 622	234 983
	1 239 180	**1 295 381**

The changes in impairment losses and provisions during the first half of 2017 and 2016 are presented in Note 4.21.

At June 30, 2017 the amount of the exposure and impairment of loans and advances to customers was made up as follows:

Segment	Exposure					Impairment		
	Total Exposure [1]	Credit-not at-risk	Of which restructured	Credit-at-risk	Of which restructured	Total impairment	Credit-not at-risk	Credit-at-risk
Corporate banking	4 700 959	4 415 256	379 104	285 703	208 197	252 893	84 339	168 554
Large Companies	1 772 883	1 684 959	190 232	87 924	59 620	94 561	39 408	55 153
Medium-sized Companies	2 928 076	2 730 297	188 872	197 779	148 577	158 332	44 931	113 401
Project Finance - Portugal	995 364	950 521	197 581	44 843	10 477	28 336	8 339	19 997
Madrid	653 762	620 009	140 164	33 753	23 032	42 573	23 054	19 519
Project Finance	410 168	385 409	114 496	24 759	15 643	27 281	15 266	12 015
Corporate	243 594	234 600	25 668	8 994	7 389	15 292	7 788	7 504
Public Sector	1 440 029	1 439 767	76 599	262		2 830	2 830	
Central Administration	186 734	186 734				4	4	
Regional and local administration	892 994	892 994	39 791			679	679	
State Corporate Sector – in the budget perimeter	53 156	53 156						
State Corporate Sector – outside the budget perimeter	274 118	274 118	36 695			2 130	2 130	
Other institutional	33 027	32 765	113	262		17	17	
Individuals and Small Businesses Banking	14 129 601	13 660 465	233 252	469 136	138 913	335 082	109 757	225 325
Mortgage loans to individuals	11 069 322	10 734 294	167 389	335 028	80 055	203 622	77 318	126 304
Consumer loans / other purposes	727 843	696 470	17 984	31 373	13 176	35 313	8 615	26 698
Credit cards	156 627	151 262	7	5 365	3	6 515	1 559	4 956
Car financing	192 666	190 253	21	2 413	62	2 118	703	1 415
Small businesses	1 983 143	1 888 186	47 851	94 957	45 617	87 514	21 562	65 952
Other [2]	1 503 555	1 498 451		5 104		12 394	12 261	133
	23 423 270	**22 584 469**	**1 026 700**	**838 801**	**380 619**	**674 108**	**240 580**	**433 528**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes 1 239 180 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At December 31, 2016 the amount of the exposure and impairment of loans and advances to customers was made up as follows:

Segment	Exposure					Impairment		
	Total Exposure [1]	Credit-not at-risk	Of which restructured	Credit-at-risk	Of which restructured	Total impairment	Credit-not at-risk	Credit-at-risk
Corporate banking	4 535 241	4 260 260	340 540	274 981	183 510	254 254	91 284	162 970
Large Companies	1 790 202	1 709 060	127 236	81 142	49 620	86 761	40 620	46 141
Medium-sized Companies	2 745 039	2 551 200	213 304	193 839	133 890	167 493	50 664	116 829
Project Finance - Portugal	995 506	950 663	223 663	44 843	10 477	30 288	10 326	19 962
Madrid	784 721	743 344	166 898	41 377	30 569	45 162	24 631	20 531
Project Finance	456 620	424 236	141 100	32 384	23 180	29 708	16 571	13 137
Corporate	328 101	319 108	25 798	8 993	7 389	15 454	8 060	7 394
Public Sector	1 417 408	1 417 280	81 534	128	120	2 178	2 158	20
Central Administration	189 468	189 468						
Regional and local administration	780 753	780 753	44 839			2	2	
State Corporate Sector – in the budget perimeter	51 810	51 810						
State Corporate Sector – outside the budget perimeter	365 600	365 600	36 695			2 139	2 139	
Other institutional	29 777	29 649		128	120	37	17	20
Individuals and Small Businesses Banking	14 022 951	13 526 081	247 186	496 870	143 043	350 842	113 950	236 892
Mortgage loans to individuals	11 084 214	10 736 564	168 610	347 650	79 831	211 566	82 008	129 558
Consumer loans / other purposes	690 239	657 825	19 708	32 414	13 621	37 095	9 066	28 029
Credit cards	164 285	158 617	10	5 668	3	6 825	1 651	5 174
Car financing	168 091	165 673	95	2 418	19	2 451	852	1 599
Small businesses	1 916 122	1 807 402	58 763	108 720	49 569	92 905	20 373	72 532
Other [2]	1 588 897	1 584 464		4 433		12 476	12 288	188
	23 344 724	**22 482 092**	**1 059 821**	**862 632**	**367 719**	**695 200**	**254 637**	**440 563**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes 1 295 381 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At June 30, 2017 the amount of the exposure and impairment of loans and advances to customers was made up as follows:

Segment	Total Exposure [1]	Total exposure				Total Impairment	Total Impairment			
		Credit - not at - risk		Credit - at - risk			Credit - not at - risk		Credit - at - risk	
		Days in arrears		Days in arrears			Days in arrears		Days in arrears	
		< 30 [2]	between 30 - 90	<= 90	> 90 days		< 30 [2]	between 30 - 90	<= 90	> 90 days
Corporate banking	4 700 959	4 410 007	5 249	11 881	273 822	252 893	82 710	1 629	4 053	164 501
Large Companies	1 772 883	1 684 156	803	636	87 288	94 561	39 382	26	339	54 814
Medium-sized Companies	2 928 076	2 725 851	4 446	11 245	186 534	158 332	43 328	1 603	3 714	109 687
Project Finance - Portugal	995 364	950 521			44 843	28 336	8 339			19 997
Madrid	653 762	620 009			33 753	42 573	23 054			19 519
Project Finance	410 168	385 409			24 759	27 281	15 266			12 015
Corporate	243 594	234 600			8 994	15 292	7 788			7 504
Public Sector	1 440 029	1 439 767		254	8	2 830	2 830			
Central Administration	186 734	186 734				4	4			
Regional and local administration	892 994	892 994				679	679			
State Corporate Sector – in the budget perimeter	53 156	53 156								
State Corporate Sector – outside the budget perimeter	274 118	274 118				2 130	2 130			
Other institutional	33 027	32 765		254	8	17	17			
Individuals and Small Businesses Banking	14 129 601	13 567 500	92 965	3 842	465 294	335 082	91 514	18 243	718	224 607
Mortgage loans to individuals	11 069 322	10 661 284	73 010	1 843	333 185	203 622	64 352	12 966	305	125 999
Consumer loans / other purposes	727 843	688 734	7 736	172	31 201	35 313	5 915	2 700	73	26 625
Credit cards	156 627	150 523	739	37	5 328	6 515	1 255	304	26	4 930
Car financing	192 666	189 320	933	109	2 304	2 118	528	175	14	1 401
Small businesses	1 983 143	1 877 639	10 547	1 681	93 276	87 514	19 464	2 098	300	65 652
Other [3]	1 503 555	1 498 451			5 104	12 394	12 261			133
	23 423 270	**22 486 255**	**98 214**	**15 977**	**822 824**	**674 108**	**220 708**	**19 872**	**4 771**	**428 757**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes non-defaulting loans (no days in arrears).

[3] Includes 1 239 180 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At December 31, 2016 the amount of the exposure and impairment of loans and advances to customers was made up as follows:

Segment	Total Exposure [1]	Total exposure				Total Impairment	Total Impairment			
		Credit - not at - risk		Credit - at - risk			Credit - not at - risk		Credit - at - risk	
		Days in arrears		Days in arrears			Days in arrears		Days in arrears	
		< 30 [2]	between 30 - 90	<= 90	> 90 days		< 30 [2]	between 30 - 90	<= 90	> 90 days
Corporate banking	4 535 241	4 257 154	3 106	10 080	264 901	254 254	90 255	1 029	3 396	159 574
Large Companies	1 790 202	1 709 025	35	8	81 134	86 761	40 619	1	2	46 139
Medium-sized Companies	2 745 039	2 548 129	3 071	10 072	183 767	167 493	49 636	1 028	3 394	113 435
Project Finance - Portugal	995 506	950 663			44 843	30 288	10 326			19 962
Madrid	784 721	743 344			41 377	45 162	24 631			20 531
Project Finance	456 620	424 236			32 384	29 708	16 571			13 137
Corporate	328 101	319 108			8 993	15 454	8 060			7 394
Public Sector	1 417 408	1 417 280			128	2 178	2 158			20
Central Administration	189 468	189 468								
Regional and local administration	780 753	780 753				2	2			
State Corporate Sector – in the budget perimeter	51 810	51 810								
State Corporate Sector – outside the budget perimeter	365 600	365 600				2 139	2 139			
Other institutional	29 777	29 649			128	37	17			20
Individuals and Small Businesses Banking	14 022 951	13 448 495	77 586	5 762	491 108	350 842	97 883	16 067	1 054	235 838
Mortgage loans to individuals	11 084 214	10 676 053	60 511	2 384	345 266	211 566	70 574	11 434	342	129 216
Consumer loans / other purposes	690 239	653 429	4 396	149	32 265	37 095	6 999	2 067	44	27 985
Credit cards	164 285	157 818	799	10	5 658	6 825	1 319	332	6	5 168
Car financing	168 091	164 791	882	58	2 360	2 451	659	193	3	1 596
Small businesses	1 916 122	1 796 404	10 998	3 161	105 559	92 905	18 332	2 041	659	71 873
Other [3]	1 588 897	1 584 464			4 433	12 476	12 288			188
	23 344 724	**22 401 400**	**80 692**	**15 842**	**846 790**	**695 200**	**237 541**	**17 096**	**4 450**	**436 113**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes non-defaulting loans (no days in arrears).

[3] Includes 1 295 381 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At June 30, 2017 the amount of the exposure and impairment of loans and advances to customers assessed individually and collectively, by segment, was made up as follows:

	Performing Loans	Overdue Loans	Exposure [1]	of which: Individually Assessed [2]	of which: Collectively Assessed	Individual Impairment	Collective Impairment	Total Impairment
Corporate banking	4 470 899	230 060	4 700 959	421800	4 279 159	213 538	39 355	252 893
Large Companies	1716 644	56 239	1772 883	141490	1631393	82 771	11790	94 561
Medium-sized Companies	2 754 255	173 821	2 928 076	280 310	2 647 766	130 767	27 565	158 332
Project Finance - Portugal	982 937	12 427	995 364	65 320	930 044	21021	7 315	28 336
Madrid	634 295	19 467	653 762	85 688	568 074	38 433	4 140	42 573
Project Finance	399 695	10 473	410 168	51026	359 142	24 325	2 956	27 281
Corporate	234 600	8 994	243 594	34 662	208 932	14 108	1 184	15 292
Public Sector	1440 021	8	1440 029	37 539	1402 490	2 002	828	2 830
Central Administration	186 734		186 734		186 734		4	4
Regional and local administration	892 994		892 994		892 994		679	679
State Corporate Sector - in the budget perimeter	53 156		53 156		53 156			
State Corporate Sector - outside the budget perimeter	274 118		274 118	36 695	237 423	1985	145	2 130
Other institutional	33 019	8	33 027	844	32 183	17		17
Individuals and Small Businesses Banking	13 739 070	390 531	14 129 601	53 410	14 076 191	17 303	317 779	335 082
Mortgage loans to individuals	10 799 758	269 564	11069 322		11069 322		203 622	203 622
Consumer loans/ other purposes	701968	25 875	727 843		727 843		35 313	35 313
Credit cards	150 865	5 762	156 627		156 627		6 515	6 515
Vehicle financing	190 699	1967	192 666		192 666		2 118	2 118
Small businesses	1895 780	87 363	1983 143	53 410	1929 733	17 303	70 211	87 514
Other [2]	1501375	2 180	1503 555	11933	1491622	11933	461	12 394
	22 768 597	**654 673**	**23 423 270**	**675 690**	**22 747 580**	**304 230**	**369 878**	**674 108**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] The information included in this column refers to the individually assessed exposures for which the Bank concluded for the need to record individual impairment. The remaining individual exposures for which the Bank concluded there was no need for impairment on an individual basis, were subject to collective assessment for the determination of the associated impairment and are therefore presented in the "Collectively assessed" column. The Bank's segment of loan portfolio subject to individual impairment analysis are described in Note 2.3.4.

[3] Includes 1 239 180 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At December 31, 2016 the amount of the exposure and impairment of loans and advances to customers assessed individually and collectively, by segment, was made up as follows:

	Performing Loans	Overdue Loans	Exposure [1]	of which:		Individual Impairment	Collective Impairment	Total Impairment
				Individually assessed [2]	Collectively assessed			
Corporate banking	4 300 002	235 239	4 535 241	452 499	4 082 742	226 433	27 821	254 254
Large Companies	1 733 630	56 572	1 790 202	145 321	1 644 881	76 300	10 461	86 761
Medium-sized Companies	2 566 372	178 667	2 745 039	307 178	2 437 861	150 133	17 360	167 493
Project Finance - Portugal	983 780	11 726	995 506	60 544	934 962	20 746	9 542	30 288
Madrid	763 362	21 359	784 721	98 741	685 980	39 183	5 979	45 162
Project Finance	444 254	12 366	456 620	63 932	392 688	25 399	4 309	29 708
Corporate	319 108	8 993	328 101	34 809	293 292	13 784	1 670	15 454
Public Sector	1 417 280	128	1 417 408	37 667	1 379 741	2 022	156	2 178
Central Administration	189 468		189 468		189 468			
Regional and local administration	780 753		780 753		780 753		2	2
State Corporate Sector - in the budget perimeter	51 810		51 810		51 810			
State Corporate Sector - outside the budget perimeter	365 600		365 600	36 695	328 905	1 985	154	2 139
Other institutional	29 649	128	29 777	972	28 805	37		37
Individuals and Small Businesses Banking	13 602 951	420 000	14 022 951	65 955	13 956 996	18 393	332 449	350 842
Mortgage loans to individuals	10 800 292	283 922	11 084 214		11 084 214		211 566	211 566
Consumer loans/ other purposes	662 952	27 287	690 239		690 239		37 095	37 095
Credit cards	158 192	6 093	164 285		164 285		6 825	6 825
Vehicle financing	165 981	2 110	168 091		168 091		2 451	2 451
Small businesses	1 815 534	100 588	1 916 122	65 955	1 850 167	18 393	74 512	92 905
Other [2]	1 586 523	2 374	1 588 897	12 391	1 576 506	11 987	489	12 476
	22 653 898	**690 826**	**23 344 724**	**727 797**	**22 616 927**	**318 764**	**376 436**	**695 200**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] The information included in this column refers to the individually assessed exposures for which the Bank concluded for the need to record individual impairment. The remaining individual exposures for which the Bank concluded there was no need for impairment on an individual basis, were subject to collective assessment for the determination of the associated impairment and are therefore presented in the "Collectively assessed" column. The Bank's segment of loan portfolio subject to individual impairment analysis are described in Note 2.3.4.

[3] Includes 1 295 381 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At June 30, 2017 the amount of exposure and impairment of Loans and advances to customers assessed individually and collectively, by business sector, was made up as follows:

	Performing Loans	Overdue Loans	Exposure [1]	of which: Individually assessed [2]	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
Corporate	10 461 264	336 135	10 797 399	662 787	10 134 613	298 612	112 267	410 879
Agriculture, animal production and hunting	274 490	4 877	279 367	10 923	268 444	3 949	4 016	7 965
Forestry and forest operations	20 083	226	20 309	3	20 306		339	339
Fishing	24 729	11 126	35 855	26 037	9 818	25 835	54	25 889
Mining	12 226	960	13 186	1230	11956	456	175	631
Beverage, tobacco and food	464 392	3 498	467 890	22 417	445 473	5 744	3 691	9 435
Textiles and clothing	100 626	14 001	114 627	19 192	95 435	12 358	1549	13 907
Leather and related products	31093	615	31708		31708		579	579
Wood and cork	135 277	5 443	140 720	4 774	135 946	2 806	1483	4 289
Pulp, paper and cardboard and graphic arts	195 197	2 992	198 189	3 802	194 387	2 796	1224	4 020
Coke, refined petroleum products and fuel pellets	50 312		50 312		50 312		2	2
Chemicals, synthetic or artificial fibres, except pharmaceutical products	69 117	161	69 278	15	69 263	15	362	377
Base pharmaceutical products and pharmaceutical mixtures	17 854		17 854		17 854		97	97
Rubber and plastic materials	89 641	1232	90 873	1337	89 536	809	806	1615
Other mineral non-metallic products	242 532	1425	243 957	2 163	241794	377	1793	2 170
Metalworking industries	221729	9 834	231563	12 662	218 901	8 881	2 998	11879
Computers, electronic, electrical and optical equipment	108 009	1372	109 381	2 416	106 965	711	1025	1736
Transport equipment	81774	770	82 544	954	81590	657	831	1488
Other manufacturing industries	58 984	3 810	62 794	2 480	60 314	1542	1996	3 538
Electricity, gas and water	680 274	2	680 276	7 950	672 326	3 292	4 669	7 961
Water treatment and collection	313 792	1095	314 887	53 869	261018	4 091	1441	5 532
Construction	418 684	93 383	512 067	119 511	392 556	66 157	13 555	79 712
Wholesale and retail trade; motor vehicle and motorcycle repairs	1353 086	73 800	1426 886	61121	1365 765	34 816	28 604	63 420
Transport and storage	950 768	18 322	969 090	91115	877 975	34 565	6 671	41236
Restaurants and hotels	409 788	32 985	442 773	60 421	382 352	15 461	5 315	20 776
Information and communication activities	295 572	3 650	299 222	12 551	286 671	6 842	1532	8 374
Financial intermediation, except for insurance and pension funds	642 812	9 993	652 805	35 484	617 321	17 805	3 596	21401
Insurance, reinsurance and pension funds, except for mandatory social security	26		26		26			
Auxiliary activities to financial services and insurance	119 832	83	119 915	52	119 863	10	145	155
Real estate	514 151	20 580	534 731	42 725	492 006	14 894	5 843	20 737
Consulting, scientific, technical and similar activities	831389	6 815	838 204	50 232	787 973	30 614	7 925	38 539
Administrative and support services	210 579	3 495	214 074	2 199	211875	1085	3 504	4 589
Public administration, defence and mandatory social security	1172 443		1172 443		1172 443		676	676
Education	42 205	1269	43 474	6 230	37 244	1227	828	2 055
Healthcare and welfare	161273	2 199	163 472	2 324	161148	532	1570	2 102
Leisure, cultural and sports activities	55 488	4 905	60 393	4 750	55 643	106	1061	1167
Other service companies	44 250	417	44 667	1737	42 930	62	698	760
Companies without CAE code (Business Activity Classification -	46 787	800	47 587	111	47 476	117	1614	1731
Individuals	12 307 333	318 538	12 625 871	12 903	12 612 967	5 618	257 611	263 229
Housing loans	10 799 774	269 570	11069 344		11069 344		203 530	203 530
Other	1507 559	48 968	1556 527	12 903	1543 623	5 618	54 081	59 699
	22 768 597	**654 673**	**23 423 270**	**675 690**	**22 747 580**	**304 230**	**369 878**	**674 108**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] The information included in this column refers to the individually assessed exposures for which the Bank concluded for the need to record individual impairment. The remaining individual exposures for which the Bank concluded there was no need for impairment on an individual basis, were subject to collective assessment for the determination of the associated impairment and are therefore presented in the "Collectively assessed" column. The Bank's segment of loan portfolio subject to individual impairment analysis are described in Note 2.3.4.

At December 31, 2016 the amount of exposure and impairment of Loans and advances to customers assessed individually and collectively, by business sector, was made up as follows:

	Performing Loans	Overdue Loans	Exposure [1]	of which: Individually assessed [2]	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
Corporate	10 440 546	351700	10 792 246	709 553	10 082 693	312 817	108 144	420 961
Agriculture, animal production and hunting	261259	5 234	266 493	11378	255 115	3 852	4 177	8 029
Forestry and forest operations	19 757	239	19 996		19 996		345	345
Fishing	26 132	10 912	37 044	27 150	9 894	24 452	74	24 526
Mining	49 449	644	50 093	1903	48 190	556	351	907
Beverage, tobacco and food	435 785	4 327	440 112	10 148	429 964	5 014	4 141	9 155
Textiles and clothing	89 290	13 982	103 272	19 648	83 624	12 680	1153	13 833
Leather and related products	33 386	602	33 988	293	33 695	267	418	685
Wood and cork	120 211	2 764	122 975	5 496	117 479	3 250	1194	4 444
Pulp, paper and cardboard and graphic arts	339 384	4 378	343 762	4 700	339 062	3 006	1738	4 744
Coke, refined petroleum products and fuel pellets	50 425		50 425		50 425		2	2
Chemicals, synthetic or artificial fibres, except pharmaceutical products	76 587	341	76 928	71	76 857	71	500	571
Base pharmaceutical products and pharmaceutical mixtures	53 448	1	53 449		53 449		153	153
Rubber and plastic materials	84 259	1244	85 503	1318	84 185	720	705	1425
Other mineral non-metallic products	257 704	2 577	260 281	3 983	256 298	1522	1537	3 059
Metalworking industries	191042	9 538	200 580	13 376	187 204	8 938	2 916	11854
Computers, electronic, electrical and optical equipment	121607	1359	122 966	2 798	120 168	684	1283	1967
Transport equipment	71528	1243	72 771	1537	71234	847	750	1597
Other manufacturing industries	54 564	3 842	58 406	4 194	54 212	1868	1500	3 368
Electricity, gas and water	643 520	2 520	646 040	7 902	638 138	3 271	5 913	9 184
Water treatment and collection	374 492	1098	375 590	54 475	321115	4 299	1536	5 835
Construction	425 857	102 082	527 939	131766	396 173	67 196	13 188	80 384
Wholesale and retail trade; motor vehicle and motorcycle repairs	1234 838	76 939	1311777	76 231	1235 546	45 334	26 599	71933
Transport and storage	1027 048	16 886	1043 934	87 884	956 050	32 245	6 373	38 618
Restaurants and hotels	337 076	29 103	366 179	62 186	303 993	15 745	4 839	20 584
Information and communication activities	283 644	3 733	287 377	13 281	274 096	6 511	1398	7 909
Financial intermediation, except for insurance and pension funds	667 193	10 830	678 023	37 364	640 659	18 335	3 813	22 148
Insurance, reinsurance and pension funds, except for mandatory social security	27		27		27			
Auxiliary activities to financial services and insurance	120 497	110	120 607	55	120 552	11	127	138
Real estate	481576	23 006	504 582	46 398	458 184	12 183	4 955	17 138
Consulting, scientific, technical and similar activities	814 218	8 803	823 021	53 653	769 368	30 136	7 934	38 070
Administrative and support services	229 843	3 483	233 326	2 304	231022	1162	4 290	5 452
Public administration, defence and mandatory social security	1071192		1071192		1071192		1	1
Education	42 277	1206	43 483	6 409	37 074	970	807	1777
Healthcare and welfare	163 399	2 249	165 648	2 515	163 133	373	1593	1966
Leisure, cultural and sports activities	47 918	5 065	52 983	5 070	47 913	150	630	780
Other service companies	89 203	567	89 770	1802	87 968	65	791	856
Companies without CAE code (Business Activity Classification - "Classificação das Actividades Económicas")	50 911	793	51704	12 265	39 439	7 104	420	7 524
Individuals	12 213 352	339 126	12 552 478	18 244	12 534 234	5 947	268 292	274 239
Housing loans	10 802 325	283 928	11086 253	55	11086 198	8	211568	211576
Other	1411027	55 198	1466 225	18 189	1448 036	5 939	56 724	62 663
	22 653 898	**690 826**	**23 344 724**	**727 797**	**22 616 927**	**318 764**	**376 436**	**695 200**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] The information included in this column refers to the individually assessed exposures for which the Bank concluded for the need to record individual impairment. The remaining individual exposures for which the Bank concluded there was no need for impairment on an individual basis, were subject to collective assessment for the determination of the associated impairment and are therefore presented in the "Collectively assessed" column. The Bank's segment of loan portfolio subject to individual impairment analysis are described in Note 2.3.4.

At June 30, 2017 the caption “Loans” was made up as follows by country:

	Performing loans	Overdue loans	Exposure[1]	from which: Assessed individually[2]	from which: Assessed collectively	Individual Impairment	Collectively Impairment	Total Impairment
Portugal	19 946 443	605 985	20 552 428	560 792	19 991 636	252 988	351 808	604 796
Spain	207 168	394	207 562	8	207 554	8	2 435	2 443
Switzerland	188 164	2 733	190 897		190 897		2 229	2 229
Angola	168 935	1 315	170 250		170 250		1 200	1 200
Other	1 018 707	44 246	1 062 953	103 088	959 865	39 434	12 206	51 640
	21 529 417	**654 673**	**22 184 090**	**663 888**	**21 520 202**	**292 430**	**369 878**	**662 308**

[1] Does not include 1 239 180 t. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

[2] The information included in this column refers to the individually assessed exposures for which the Bank concluded for the need to record individual impairment. The remaining individual exposures for which the Bank concluded there was no need for impairment on an individual basis were subject to collective assessment for the determination of the associated impairment and are therefore presented in the "Collectively assessed" column. The Bank's segment of loan portfolio subject to individual impairment analysis are described in Note 2.3.4.

At December 31, 2016 the caption “Loans” was made up as follows by country:

	Performing loans	Overdue loans	Exposure[1]	from which: Assessed individually[2]	from which: Assessed Collectively	Individual Impairment	Collectively Impairment	Total Impairment
DOMESTIC ACTIVITY								
Portugal	20 026 900	655 141	20 682 040	597 601	20 084 439	266 390	367 558	633 947
Spain	617 471	20 746	638 217	71 328	566 889	24 647	5 342	29 988
Angola	151 005	126	151 131		151 131		450	450
Netherlands	108 034	2	108 036		108 036		601	601
Other	455 108	14 812	469 919	47 069	422 850	15 928	2 485	18 414
	21 358 517	**690 826**	**22 049 343**	**715 998**	**21 333 345**	**306 964**	**376 436**	**683 400**

[1] Does not include 1 295 381 t. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

[2] The information included in this column refers to the individually assessed exposures for which the Bank concluded for the need to record individual impairment. The remaining individual exposures for which the Bank concluded there was no need for impairment on an individual basis were subject to collective assessment for the determination of the associated impairment and are therefore presented in the "Collectively assessed" column. The Bank's segment of loan portfolio subject to individual impairment analysis are described in Note 2.3.4.

At June 30, 2017 the mortgage loans to individual Customers, by year of production, granted by Banco BPI (non-consolidated) was made up as follows:

Year of production	Number of operations	Amount	Impairment recorded
2004 or previous	83 304	2 458 392	64 949
2005	13 145	591 109	15 815
2006	17 169	892 217	19 966
2007	24 046	1 280 400	32 975
2008	20 912	1 150 191	20 555
2009	13 415	853 989	14 844
2010	14 851	1 031 586	18 227
2011	4 764	318 950	5 525
2012	3 429	216 993	1 945
2013	3 493	207 673	1 419
2014	3 733	235 670	1 173
2015	7 067	512 520	1 802
2016	10 909	842 781	3 088
2017	6 155	476 851	1 339
	226 392	**11 069 322**	**203 622**

At December 31, 2016 the mortgage loans to individual Customers, by year of production, granted by Banco BPI (non-consolidated) was made up as follows:

Year of production	Number of operations	Amount	Impairment recorded
2004 or previous	86 018	2 609 136	68 718
2005	13 467	622 488	16 249
2006	17 581	932 610	21 071
2007	24 605	1 334 916	34 100
2008	21 326	1 197 257	21 892
2009	13 728	888 957	15 751
2010	15 257	1 073 239	19 310
2011	4 950	335 120	5 648
2012	3 624	230 666	1 986
2013	3 712	219 494	1 254
2014	3 976	252 427	1 221
2015	7 195	529 782	1 907
2016	11 106	858 124	2 459
	226 545	**11 084 214**	**211 566**

The caption “Securities” at June 30, 2017 is made up as follows:

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment [1]
Debt Instruments				
Issued by Portuguese Entities				
Portuguese Public Debt				
EDIA SA-TV-30.01.2027	16 180 000	16 180	16 180	
EDIA-EMP.DES.DO ALQUEVA - TV-11.08.2030	18 562 500	18 563	18 733	
REGIAO AUTONOMA ACORES 2016/2023-1ª SR	35 000 000	35 000	35 304	
REGIAO AUTONOMA DA MADEIRA 2017-2022	55 000 000	55 000	55 051	
REGIAO AUTONOMA DOS ACORES-TV-16.11.2025	16 600 000	16 600	16 649	
REPUBLICA DE PORTUGAL TV - 29.01.2018	50 000 000	50 000	50 473	
Other Residents		**191 343**	**192 390**	
Non - subordinated Debt				
Bonds				
Obrigações				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	61 397 528	61 398	61 435	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		61 448	**61 485**	
Other Bonds				
ADP SGPS SA-TV-15.02.2028	75 000 000	75 000	75 492	
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	50 000 000	46 274	50 003	
ALTRI - 2014/2020	50 000 000	50 000	50 342	
ANCORA WIND - 2017/2030	29 166 027	29 166	29 166	
AUTO-SUECO - 2013 / 2018	30 000 000	30 000	30 684	
BRISA-CONCESSAO RODOVIARIA TV 07.01.2022	60 000 000	60 000	60 092	
CGD-3.75%-18.01.2018	9 000 000	8 996	9 147	
CIN - 2014/2019	15 000 000	15 000	15 014	
COLEP PORTUGAL SA -TV-10.10.2017	9 000 000	9 000	9 055	
DANIPACK 2016-2021	7 000 000	7 000	7 000	
EFANOR INVESTIMENTOS SGPS SA-2014/2019	15 000 000	15 000	15 111	
ENERFER -TV- 20.12.2026	6 181 867	6 182	6 186	
FIRST STATE WIND ENERGY-BONDS A DUE 2021	9 809 879	9 810	9 833	
FIRST STATE WIND ENERGY-BONDS B DUE 2030	24 500 000	24 500	24 558	
FREZITE-2016/2021	842 105	842	843	
GALP 2013/2018	150 000 000	152 620	152 147	
GRUPO PESTANA 2014/2020	46 000 000	46 000	46 541	
GRUPO VISABEIRA SGPS-TV-14.07.2019	5 000 000	5 000	5 086	
INOVAFIL 2017-2022	2 000 000	2 000	2 002	
JMR - 2015 / 2017	75 000 000	75 000	75 017	
LITOCAR 2017/2024	4 600 000	4 600	4 611	
LUSIAVES - 2017/2032	15 000 000	15 000	15 038	
LUSIAVES 2016-2026	10 000 000	10 000	10 052	
MEDIA CAPITAL 2014-2019	50 000 000	50 000	50 863	
MOTA-ENGIL-TV 2015/2018	7 500 000	7 500	7 514	
NOS SGPS-2015-2022	25 000 000	24 875	25 113	
PARQUE EÓLICO DO PISCO- TV 11.07.2026	10 948 438	10 948	11 194	
POLIMAIA / 1989 - SR.C (AC.CRED.)	7			
PORTUCEL SA-TV-22.09.2023	50 000 000	50 000	50 264	
RENOVA 2.SÉRIE 2016-2021	9 000 000	9 000	9 000	
RENOVA-1.6%-2015-2021	18 000 000	18 189	18 000	
REN-REDES ENERG.NAC.-TV-16.01.2020	60 000 000	60 000	60 538	
SECIL 2015-2020	80 000 000	80 000	80 200	
SEMAPA 2014/2019	28 487 000	28 511	28 688	
SEMAPA 2014/2020	41 500 000	41 500	41 597	
VIOLAS-SGPS SA-TV-06.11.2023	70 000 000	70 000	70 232	
ZON OPTIMUS 2014-2019	100 000 000	99 893	100 218	
		1 247 406	**1 256 441**	
Commercial Paper			788 495	1 327
			788 495	**1 327**
Subordinated Debt				
Bonds				
BANIF - TAX.VAR. (30.12.2015) [2]	11 800 000	11 800	11 800	11 800
		11 800	**11 800**	**11 800**

[1] Additionally, the Bank recorded collective impairment of 6 009 t. euro.

[2] Securities reclassified from the caption “Financial assets at fair value through profit or loss” in 2008, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.47).

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment [1]
Issuued by others non-residents				
Non-subordinated Debt				
Other Bonds				
BANCO DE SABADELL SA-3.375%-13.01.2018	16 000 000	15 991	16 225	
EDDYSTONE FIN.SR2006-1CLA 1B 19.04.2021[2]	185 426	158	158	
EDP FINANCE BV-4.875%-14.09.2020	80 000 000	79 735	82 823	
EDP FINANCE BV-TV 26.06.2019	83 245 706	69 822	83 276	
EURO-VIP / 1990[3]	5 257 624	4 943	4 818	
		170 649	**187 300**	
Commercial Paper			7 494	
			7 494	
		1 682 646	**2 505 405**	**13 127**

[1] Additionally, the Bank recorded collective impairment of 6 009 t. euro.

[2] Securities reclassified from the caption “Financial assets held for trading” in 2009, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.47).

[3] Securities reclassified from the caption “Financial assets held for trading” in 2013, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.47).

Evidence of possible impairment of the Asset Backed Securities (ABSs) portfolio is determined through regular monitoring of the performance indicators of the underlying transactions. At June 30, 2017 this analysis did not show evidence of impaired securities.

4.8 Held to maturity investments

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Debt Instruments		
Bonds issued by other foreign entities		
Non-subordinated debt	14 400	14 400
Subordinated debt		1 900
Accrued interest	15	17
	14 415	**16 317**

The portfolio of held to maturity investments includes assets to cover capitalisation insurance contracts issued by BPI Vida e Pensões.

At June 30, 2017 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment [1]
Debt Instruments				
Issued by non - residents				
Non - Subordinated debt				
Other bonds				
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018[1]	6 000 000	6.000	6.006	
IBERCAJA(CA.ZARAGOZA A.R.)TV-25.04.2019[1]	8 400 000	8.400	8.409	
		14.400	**14.415**	
		14.400	**14.415**	

[1] Securities reclassified from the caption “Financial Assets held for trading” under the amendments to IAS 39 and IFRS 7, in 2008 (Notes 2 and 4.47).

4.9 Discontinued Operations

On October 7, 2016, Banco BPI, SA entered into an agreement with Unitel, S.A. (Unitel) regarding the sale of 2% of the share capital of Banco de Fomento Angola, SA (BFA), the implementation of which implies a reduction of the Group's participation in BFA from 50.1% to 48.1%. On that same date, a new shareholders' agreement related to BFA was also signed.

The realization of this operation was dependent upon the verification of the following precedent conditions:

- Approval of Banco Nacional de Angola (BNA) regarding the increase of the qualified holding already held by Unitel in BFA and approval to perform capital operations required for the payment to Banco BPI and transfer to Portugal of the agreed price of 28 million euro;
- Approval of BNA to change the statutes of BFA; and
- Approval of the transaction by the General Meeting of Banco BPI.

On December 13, 2016, the Shareholder's General Meeting of Banco BPI met with a single agenda regarding the sale by Banco BPI to Unitel of 26 111 shares, representative of 2% of BFA's share capital, under the purchase agreement established between the two entities. This operation was approved by 83.23% of the votes.

On December 12, 2016, Banco Nacional de Angola announced that it would not oppose to the following:
(i) Partial amendment to BFA's statutes;
(ii) Increase in Unitel's qualifying holding of BFA's share capital throughout the acquisition, from Banco BPI, of 26 111 ordinary shares representative of 2% of the share capital;
(iii) Indirect acquisition of the qualified holding representative of 48.10% of BFA's share capital, under the settlement of the mandatory takeover bid launched by CaixaBank regarding all shares representative of Banco BPI share capital.

BNA has established that the three operations mentioned above are indivisible, meaning, it is expected for them to occur simultaneously or almost simultaneously or, if it is not possible to ensure their simultaneity, the operation referred in (ii) should precede the operations referred in (i) and (iii).

The sale of the shareholding representative of 2% of the share capital of BFA from Banco BPI to Unitel, under the purchasing agreement established in 2016 was carried out on January 5, 2017. On this date: (i) Banco BPI received the sale price of the shares (28 million euro), (ii) Unitel issued the document related to the transfer of shares on sale and, (iii) the shareholder's agreement related to the participation in BFA entered into force.

From this date (January 2017), Banco BPI ceased to control BFA as established by IFRS 10 – Consolidated Financial Statements. Therefore, the consolidation through full consolidation method of the participation of 48.1% in BFA was discontinued and the retained participation was recorded at the estimated fair value. Considering that Banco BPI still has a significate influence on BFA, this participation was classified under "Investments in associated companies and jointly controlled entities" and is accounted for in accordance with the equity method as stated by IAS 28 (note 4.12).

In accordance with IFRS 10, the sale of the 2% participation and the non-consolidation of BFA had the following impacts on Banco BPI's[1] consolidated accounts:

(i) Derecognition of BFA's assets and liabilities on the date of the loss of control (6 924 678 t.euros and 5 990 262 t.euros, respectively);

(ii) Derecognition of the book value of non-controlling interests related to BFA (466 273 t. euros, as of December 31, 2016);

(iii) Recognition of the fair value of the consideration received for the sale of the 2% participation on BFA (28 000 t. euros);

(iv) Recognition of the 48.1% participation on BFA in accordance with the estimated fair value on the date of the loss of control (449 454 t. euros). The fair value of this participation was estimated through the following methods and evaluation techniques:
    - Valuation based on market multiples of comparable entities, using a ROE vs. Price Book Value regression for 2016, estimated using Bloomberg Data;
    - Dividend Discount Model (DDM) assuming a projection of dividends to be received from BFA;
    - Sale price of the 2% participation in BFA to Unitel (multiple of transaction) adjusted by a discount on the control premium attributed at 2%, and a discount due to the lack of liquidity.

(v) Recognition on net income (under "operating income and expenses") of the difference between the components (i) through (iv), which include 6 593 t. euros related to the net gains obtained with the sale of the 2% participation in BFA;

(vi) Reclassification to net income (under "operating income and expenses") of the amounts related to BFA recorded under

"Revaluation reserves" on the consolidated balance sheet (- 182 121 t. euros). These amounts relate to the foreign exchange differences originated in the consolidation process with the conversion of the financial statements of BFA from kwanzas to euros, that were recorded as "Other comprehensive income", as stated by IAS 21;

(vii) Recognition of deferred tax liabilities associated to the difference between the acquisition cost and the fair value of the 48.1% participation in BFA (36 770 t. euros). As stated by IAS 12, when the entity losses control over a subsidiary which becomes an associate, the entity must record deferred tax liabilities in relation to the taxable differences in the investment owned in the associate.

On the first half of 2017, the global impact of the sale of the 2% participation and the non-consolidation of BFA, on Group BPI's income and equity was as follows:

	Net income	Shareholder's equity atributtable to the Banco BPI of Shareholders	Total shareholder's equity
Capital gain on the sale of 2% of the share capital of BFA, net of taxes	6 593	6 593	6 593
Revaluation to fair value of the participation retained in BFA (48.1%)	0	0	0
Reclassification of foreign exchange reserves to profit and loss	(182 121)	0	0
Deferred tax liabilities	(36 770)	(36 770)	(36 770)
Total	**(212 298)**	**(30 177)**	**(30 177)**
Derecognition of non-controlling interests			(466 273)
			(496 450)

As of December 31, 2016, Banco BPI retained control over BFA considering the requirements of IFRS 10 - Consolidated financial statements, and therefore this investment remained in the consolidation perimeter on the financial statements of Banco BPI for 2016.

Considering that as of December 31, 2016 (i) the sale of 2% of BFA's share capital was very likely to occur, (ii) the 2% shareholding was available for immediate sale in its current situation being exclusively subject to the terms usually defined for this type of operation, and (iii) this sale transaction would involve the loss of control of BFA by Banco BPI, BFA's operations were classified in the consolidated financial statements of Banco BPI as discontinued operations, in accordance with the requirements of IFRS 5 - Non-current assets held for sale and discontinued operations.

In accordance, BFA's total assets and liabilities as of December 31, 2016 are shown in the consolidated balance sheet of Banco BPI under the captions "Non-current assets held for sale and discontinued operations" and "Non-current liabilities held for sale and discontinued operations". Also, in accordance with IFRS 5, the contribution of BFA's operations to the consolidated income and comprehensive income for 2016 of BPI Group is presented under the caption "Income from discontinued operations" and "Income not included in the consolidated statement of income associated with discontinued operations", respectively, with the comparative balances of the Consolidated Statements of Income and the Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended on June 30, 2016 being restated.

At December 31, 2016 the consolidated balance sheets of BPI Group include the following amounts related to BFA, following the exclusion of intragroup balances:

	Dec. 31, 16
ASSETS [(1)]	
Cash and deposits at central banks	1 505 858
Deposits at other credit institutions	8 653
Financial assets held for trading	1 822 979
Financial assets available for sale	1 398 106
Loans and advances to credit institutions	146 071
Loans and advances to customers	1 269 351
Tangible assets	103 919
Intangible assets	7 063
Tax assets	9 721
Other assets	24 189
	6 295 910
LIABILITIES [(2)]	
Financial liabilities held for trading	8 150
Resources of other credit institutions	59
Resources of customers and other debts	5 842 822
Provisions	23 588
Tax liabilities	23 730
Other liabilities	53 049
	5 951 398

[1]Does not include 628.768 euros of cash and BFA investments in the BPI Group.

[2] Does not include 38.864 euros of dividends payable by BFA to Banco BPI.

At December 31, 2016 these balances are presented under the caption "Non-current assets held for sale and discontinued operations" and "Non-current liabilities held for sale and discontinued operations".

At December 31, 2016, the balance sheet caption “Other accumulated comprehensive income related to discontinued operations” in the amount of 182 121 t.euro refers to negative reserves arising from exchange rate differences regarding the conversion of BFA's equity to euro.

As of December 31, 2016, the caption "Loans and advances to customers" is made up as follows:

	Dec. 31, 16
Loans	
Foreign loans	
Companies	
Loans	694 991
Commercial lines of credit	211 291
Demand deposits - overdrafts	6 586
Other loans	1 096
Loans to individuals	
Housing	116 268
Consumer	208 643
Other loans	19 353
Accrued interest	25 152
	1 283 380
Overdue loans and interest	62 771
Loan impairment	(76 800)
	1 269 351

At December 31, 2016, the financial assets held for trading and available for sale items are made up as follows:

	Dec. 31, 16
Financial assets held for trading	
Debt Instruments	
Bonds issued by foreign government entities	
Treasury Bills - Angola	1 582 996
Treasury Bonds - Angola in AKZ	231 700
Equity instruments	
Shares issued by foreign entities	970
Derivative instruments with positive fair value	7 313
	1 822 979
Financial assets held for sale	
Debt instruments	
Bonds issued by foreign government entities	
Bonds	
Treasury Bills - Angola	
Treasury Bonds - Angola in AKZ	787 628
Treasury Bonds - Angola in USD	608 108
Equity instruments	
Shares issued by foreign entities	2 265
Loans and other receivables	105
	1 398 106

At December 31, 2016, the Treasury Bills - Angola and Treasury Bonds - Angola are recorded at their acquisition cost, since it reflects the best estimate of their market value, as there is no price in an active market with regular transactions.

As of December 31, 2016, the caption "Resources of customers and other loans" is as follows:

	Dec. 31, 16
Demand deposits	3 316 814
Term deposits	2 487 622
Cheques and orders payable	9 325
Other resources of customers	9 202
Accrued interest	19 859
	5 842 822

On the first half of 2016, the income of BFA is presented in a single line of the Income Statement under the caption "Net income from discontinued operations", with the following detail:

	Jun. 30, 16
Interest and similar income	203 037
Interest and similar expenses	(43 234)
Financial margin (narrow sense)	**159 803**
Financial margin	**159 803**
Commissions received	24 989
Commissions paid	(4 926)
Other income, net	8 874
Net commission income	**28 937**
Gain and loss on operations at fair value	80 064
Net income on financial operations	**80 064**
Operating income	45
Operating expenses	(976)
Other taxes	(10 016)
Net operating expenses	**(10 947)**
Operating income from banking activity	**257 857**
Personnel costs	(42 584)
General administrative costs	(33 957)
Depreciation and amortisation	(6 193)
Overhead costs	**(82 734)**
Recovery of loans, interest and expenses	1 136
Impairment losses and provisions for loans and guarantees, net	(11 510)
Impairment losses and other provisions, net	(1 819)
Net income before income tax	**162 930**
Income tax	927
Net income	**163 857**

4.10. Other tangible assets

The changes in other tangible assets during the first half of 2017 were as follows:

	Gross						Depreciation						Net	
	Balance at Dec. 31, 16	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 17	Balance at Dec. 31, 16	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 17	Balance at Jun. 30, 17	Balance at Dec. 31, 16
Property														
Property for own use	24 803			(636)		24 167	11 949	205		(344)		11 810	12 357	12 854
Leasehold improvements	57 254	46	(581)	8	8	56 735	56 922	49	(568)		2	56 405	330	332
	82 057	**46**	**(581)**	**(628)**	**8**	**80 902**	**68 871**	**254**	**(568)**	**(344)**	**2**	**68 215**	**12 687**	**13 186**
Equipment														
Furniture and fixtures	37 135	16	(67)	1	(11)	37 074	36 369	129	(67)		(10)	36 421	653	766
Machinery and tools	8 750		(125)	1		8 626	8 569	33	(125)			8 477	149	181
Computer hardware	144 231	262	(786)	1 920	(25)	145 602	138 602	2 059	(781)		(20)	139 860	5 742	5 629
Interior installations	108 950	90	(337)	1 894	(12)	110 585	96 770	2 102	(216)	(22)	(10)	98 624	11 961	12 180
Vehicles	1 150	66	(81)		7	1 142	1 087	29	(81)		8	1 043	99	63
Security equipment	18 356		(139)	5		18 222	18 010	89	(139)	(25)		17 935	287	346
Other equipment	76					76	74					74	2	2
	318 648	**434**	**(1 535)**	**3 821**	**(41)**	**321 327**	**299 481**	**4 441**	**(1 409)**	**(47)**	**(32)**	**302 434**	**18 893**	**19 167**
Equipment in finance lease	10 734	139				10 873	3 634	1 295				4 929	5 944	7 100
Tangible assets in progress	9 275	227		(5 545)		3 957							3 957	9 275
Other tangible assets	11 277		(110)	(39)		11 128	9 050	8	(110)	(39)		8 909	2 219	2 227
	31 286	**366**	**(110)**	**(5 584)**		**25 958**	**12 684**	**1 303**	**(110)**	**(39)**		**13 838**	**12 120**	**18 602**
	431 991	**846**	**(2 226)**	**(2 391)**	**(33)**	**428 187**	**381 036**	**5 998**	**(2 087)**	**(430)**	**(30)**	**384 487**	**43 700**	**50 955**

The changes in other tangible assets during the first half of 2016 were as follows:

	Gross						Depreciation						Net	
	Balance at Dec. 31, 15	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 16	Balance at Dec. 31, 15	Depreciation for the period	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 16	Balance at Jun. 30, 16	Balance at Dec. 31, 15
Property														
Property for own use	142 201	177	(81)	923	(20 744)	122 476	31 423	1 148		(242)	(2 658)	29 671	92 805	110 778
Other property	12					12	2					2	10	10
Leasehold improvements	104 187	99	(5)	451	(8 553)	96 179	91 820	1 066	(5)		(6 143)	86 738	9 441	12 367
	246 400	**276**	**(86)**	**1 374**	**(29 297)**	**218 667**	**123 245**	**2 214**	**(5)**	**(242)**	**(8 801)**	**116 411**	**102 256**	**123 155**
Equipment														
Furniture and fixtures	49 908	165	(133)	51	(2 528)	47 463	43 920	643	(129)		(1 519)	42 915	4 548	5 988
Machinery and tools	13 330	92	(45)		(909)	12 468	11 634	205	(44)		(620)	11 175	1 293	1 696
Computer hardware	175 015	2 020	(901)	512	(6 518)	170 128	162 006	3 805	(898)	(10)	(5 241)	159 662	10 466	13 009
Interior installations	136 563	291	(13 016)	156	(2 028)	121 966	113 943	3 021	(12 281)	(10)	(953)	103 720	18 246	22 620
Vehicles	12 592	589	(73)	(144)	(2 320)	10 644	9 977	700	(73)	(144)	(1 824)	8 636	2 008	2 615
Security equipment	26 265	124	(1 820)	(2)	(1 045)	23 522	23 490	387	(1 813)	(1)	(619)	21 444	2 078	2 775
Other equipment	522	1	(2)		(90)	431	125	2	(2)		(9)	116	315	397
	414 195	**3 282**	**(15 990)**	**573**	**(15 438)**	**386 622**	**365 095**	**8 763**	**(15 240)**	**(165)**	**(10 785)**	**347 668**	**38 954**	**49 100**
Equipment in finance lease	10 723	11				10 734	1 068	1 283				2 351	8 383	9 655
Tangible assets in progress	10 906	1 678		(2 915)	(952)	8 717							8 717	10 906
Other tangible assets	11 725		(234)	(9)		11 482	9 446	40	(234)	(10)		9 242	2 240	2 279
	33 354	**1 689**	**(234)**	**(2 924)**	**(952)**	**30 933**	**10 514**	**1 323**	**(234)**	**(10)**		**11 593**	**19 340**	**22 840**
	693 949	**5 247**	**(16 310)**	**(977)**	**(45 687)**	**636 222**	**498 854**	**12 300**	**(15 479)**	**(417)**	**(19 586)**	**475 672**	**160 550**	**195 095**

[1] Includes 5 308 t.euros of depreciation for the year of BFA regarding the classification of BFA as discontinued operations in the proforma income statement (Notes 2.1 and 4.9).

4.11. Intangible assets

The changes in intangible assets on the first semester of 2017 were as follows:

	Gross					Depreciation				Net	
	Balance at Dec. 31, 16	Purchases	Sales and write-offs	Transfers and others	Balance at Jun. 30, 17	Balance at Dec. 31, 16	Depreciation for the year	Sales and write-offs	Balance at Jun. 30, 17	Balance at Jun. 30, 17	Balance at Dec. 31, 16
Software	93 927	39	(8)	5 037	98 995	77 437	4 999	(8)	82 428	16 567	16 490
Other intangible assets	17 940		(12)		17 928	15 633	6	(12)	15 627	2 301	2 307
	111 867	**39**	**(20)**	**5 037**	**116 923**	**93 070**	**5 005**	**(20)**	**98 055**	**18 868**	**18 797**
Intangible assets in progress	6 832	4 334		(5 292)	5 874					5 874	6 832
	118 699	**4 373**	**(20)**	**(255)**	**122 797**	**93 070**	**5 005**	**(20)**	**98 055**	**24 742**	**25 629**

The changes in intangible assets on the first semester of 2016 were as follows:

	Gross					Depreciation				Net	
	Balance at Dec. 31, 15	Purchases	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 16	Balance at Dec. 31, 15	Depreciation for the year [1]	Foreign exchange differences	Balance at Jun. 30, 16	Balance at Jun. 30, 16	Balance at Dec. 31, 15
Software	94 316	1 488		(2 127)	93 677	76 078	4 695	(1 358)	79 415	14 262	18 238
Other intangible assets	21 365			(268)	21 097	18 716	6	(268)	18 454	2 643	2 649
	115 681	**1 488**		**(2 395)**	**114 774**	**94 794**	**4 701**	**(1 626)**	**97 869**	**16 905**	**20 887**
Intangible assets in progress	8 251	1 184	325		9 760					9 760	8 251
	123 932	**2 672**	**325**	**(2 395)**	**124 534**	**94 794**	**4 701**	**(1 626)**	**97 869**	**26 665**	**29 138**

[1] Includes 884 t. euro of depreciation for the year of BFA reclassified to the caption "Net income from discontinued operations" in the proforma income statement (Notes 2.1 and 4.9).

4.12. Investments in associated companies and jointly controlled entities

Investments in associated companies and jointly controlled entities, recorded in accordance with the equity method, are as follows:

	Effective participation (%)		Book value	
	Jun. 30, 17	Dec. 31, 16	Jun. 30, 17	Dec. 31, 16
Banco de Fomento Angola, S.A.	48.1		492 065	
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	53 904	44 845
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	67 503	67 950
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	31 434	32 065
Inter-Risco - Sociedade de Capital de Risco, S.A.	49.0	49.0	508	559
Unicre - Instituição Financeira de Crédito, S.A.	21.0	21.0	29 543	30 259
			674 957	**175 678**

The remaining share capital of BCI is held essentially by the Caixa Geral de Depósitos Group (51.00%) and the Insitec Group (18.12%). Two agreements serving different purposes were signed between the shareholders, the terms of which are as follows:

- Shareholder agreement – in July 2006 the Caixa Geral de Depósitos Group and Banco BPI entered into a shareholders' agreement relating to BCI to regulate their relationship as shareholders of BCI, as well as certain aspects relating to its operations. The agreement is of undetermined duration, remaining in force until any of the circumstances provided for therein occur.

- Preference agreement – on November 22, 2007 a Preference agreement between the Caixa Geral de Depósitos Group, Banco BPI and the Insitec Group was signed, which governs the right of preference of the CGD Group and Banco BPI in the case of a direct or indirect onerous sale of shares representing the share capital of BCI held by the Insitec Group. The agreement has an initial duration of 30 years, automatically renewable for successive periods of five years, unless terminated by either party 1 year in advance of the initial termination date or of the ongoing renewal period.

During the first half of 2017 and the year 2016, the BPI Group recorded the following dividends from associated companies:

	Jun. 30, 2017	Dec. 31, 2016
Banco de Fomento Angola, S.A.	64 045	n.a.
Companhia de Seguros Allianz Portugal, S.A.	6 035	9 855
Cosec – Companhia de Seguros de Crédito, S.A.	2 780	3 615
Unicre - Instituição Financeira de Crédito, S.A.	4 076	17 337
	76 936	**30 807**

In some of the associated companies, Banco BPI is party to shareholder agreements that contain, among others, rules on the composition of the governing bodies and on the transfer of shares of such companies.

None of the associated companies of the BPI Group are listed on the stock exchange.

At June 30, 2017, the financial information regarding the associated companies of the BPI Group is as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Banco de Fomento Angola, S.A.	3 909 024	3 180 059	6 041 380	24 700
Banco Comercial e de Investimentos, S.A.R.L.	900 161	1 381 845	358 805	1 743 521
Companhia de Seguros Allianz Portugal, S.A.	230 948	995 871	117 895	929 285
Cosec – Companhia de Seguros de Crédito, S.A.	94 330	15 120	65 204	52
Inter-Risco - Sociedade de Capital de Risco, S.A.	1 163	259	365	21
Unicre - Instituição Financeira de Crédito, S.A.	68 382	257 102	121 081	127 156

	Income from continuing operations	Net income from continuing operations	Other comprehensive income	Total comprehensive income [1]
Banco de Fomento Angola, S.A.	321 291	222 882		222 882
Banco Comercial e de Investimentos, S.A.R.L.	79 570	16 462	99	16 560
Companhia de Seguros Allianz Portugal, S.A.	n.d.	11 191	1 181	12 372
Cosec – Companhia de Seguros de Crédito, S.A.	n.d.	2 772	1 335	4 107
Inter-Risco - Sociedade de Capital de Risco, S.A.	574	(102)		(102)
Unicre - Instituição Financeira de Crédito, S.A.	37 772	11 004	2 225	13 229

[1] Corresponds to the sum of net income from continuing operations with other comprehensive income.

On January 16, 2017, the Government of Mozambique announced that it would not pay the interest coupon of the Mozambique International bonds with maturity in 2023, which led the country to default. In this context:

- As of December 31, 2016, BCI recognized 8 327 t.euro of impairment concerning the Mozambique International bonds (amounting to 21 525 t.usd), considering the market price disclosed by Bloomberg (59.25% as of December 31, 2016). Banco BPI recognized 30% of this loss, through the appropriation of BCI's income.

- An analysis was carried out to assess the existence of impairment in the book value of the participation in BCI, due to the financial situation in Mozambique, which did not reveal the existence of impairment for such participation.

On January 2017, the sale of the 2% participation in BFA agreed in October 2016 between Banco BPI and Unitel was concluded. With the conclusion of this operation Banco BPI and Unitel own a participation on BFA of 48.1% and 51.9% respectively. From this date Banco BPI ceased to control BFA as stated by IFRS 10 – Consolidated financial statements. As a result, the 48.1% participation on BFA ceased being consolidated in accordance with the full consolidation method and was initially valued based on its estimated fair value (Note 4.9). Considering that Banco BPI still has a significant influence on BFA, this participation was recorded on the caption "Investments in associated companies and jointly controlled entities" using the equity method as stated by IAS 28 - Investments in associates and joint ventures.

The new BFA Shareholders Agreement between Banco BPI and Unitel establishes the rules regarding the composition of its governing bodies, the dividend distribution policy and the rules for BFA shares' transmission. The rules for the transmission of BFA shares include a right of precedence granted by Banco BPI to Unitel for the onerous transmission of shares owned by Banco BPI, as well as a right granted by Unitel to Banco BPI to ensure a "tag along" right in case of sale of the participation owned by Unitel.

On January 30, 2017, Banco BPI was notified of a legal action challenging a corporate resolution. Such legal action challenges the validity of Banco BPI's General Meeting resolution passed on December 13th 2016, which approved Banco BPI's Board of Directors proposal to sell to Unitel, S.A. a stockholding comprised of 26 111 shares, representing 2% of the share capital of Banco de Fomento Angola, S.A., pursuant to the Sale and Purchase Agreement entered into between such entities on October, 2016. The legal action was filed by 4 shareholders holding together 175 920 shares, representing 0.0121% of Banco BPI's share capital. Banco BPI disagrees on the arguments presented by the authors of this claim and contested the case.

4.13. Tax assets

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Current tax assets		
Corporate income tax recoverable	27 777	27 277
Other	1 859	1 864
	29 636	**29 141**
Deferred tax assets		
Due to temporary differences	422 239	412 126
Due to tax losses carried forward	20 949	30 581
	443 188	**442 707**
	472 824	**471 848**

Details of deferred tax assets are presented in Note 4.43.

4.14. Other assets

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Debtors, other applications and other assets		
Debtors for future operations	14 590	19 173
Collaterals		
Of derivatives	10 404	18 596
Reports with central counterparties (CCP)	25 002	14 987
Single Resolution Fund	4 640	2 636
Other	2 170	2 170
Other applications	4 070	3 444
VAT recoverable	18 183	13 705
Debtors for loan interest subsidy receivable	3 502	3 144
Other debtors	7 383	7 837
Overdue debtors and other applications	9	248
Impairment of overdue debtors and other applications	(4)	(7)
Other assets		
Gold	102	49
Other available funds and other assets	400	369
	90 451	86 351
Assets received in settlement of defaulting loans and other	103 044	137 082
Impairment	(22 790)	(33 762)
	80 254	103 320
Accrued income		
For irrevocable commitments assumed in relation to third parties	245	239
For banking services rendered to third parties	3 711	2 463
Other accrued income		
Dividends receivable from BFA	57 641	
Dividends receivable from Unicre		6 618
Fee's for Allianz's profit sharing (Notes 2.15 and 4.38)	10 615	22 558
Other receivables	10 929	10 026
	83 141	41 904
Deferred expenses		
Insurance	7	1
Rent	1 601	1 523
Other deferred expenses	10 291	7 424
	11 899	8 948
Other accounts		
Exchange transactions pending settlement		14 346
Stock exchange transactions pending settlement	798	1 083
Asset operation pending settlement	196 952	342 038
	197 750	357 467
	463 495	**597 990**

The caption “Collaterals of derivatives” at June 30, 2017 and December 31, 2016 includes 5 094 t. euro and 4 169 t. euro, respectively, relating to collateral pledged in guarantee under derivative transactions relating to bonds issued through Sagres – Sociedade de Titularização de Créditos, S.A..

The caption “Other debtors” at June 30, 2017 and December 31, 2016 includes 1 427 t. euro relating to the cash receivable in 2019 relating to the public tender offer to acquire 100% of the share capital of Visa Europe Limited by Visa Inc. (Note 4.5).

The changes in assets received in settlement of defaulting loans and other tangible assets during the first semester of 2017 were as follows:

	Balance at Dec. 31, 16			Acquisitions and transfers	Sales and writte-offs		Increase / Reversals of impairment	Balance at Jun. 30, 17		
	Gross	Impairment	Net		Gross	Impairment		Gross	Impairment	Net
Assets received in settlement of defaulting loans										
Real estate	131 714	(30 987)	100 727	9 407	(39 769)	4 421	4 496	101 352	(22 070)	79 282
Equipment	531	(578)	(47)	267	(330)	132	141	468	(305)	163
Other	61	(62)	(1)				11	61	(51)	10
Other tangible assets										
Real estate	4 775	(2 135)	2 640	295	(3 908)	1 705	66	1 162	(364)	798
	137 082	**(33 762)**	**103 320**	**9 969**	**(44 007)**	**6 258**	**4 714**	**103 044**	**(22 790)**	**80 254**

The changes in assets received in settlement of defaulting loans and other tangible assets during the first semester of 2016 were as follows:

	Balance at Dec. 31, 15			Acquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Foreign exchange translation difference	Balance at Dec. 31, 16		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	153 535	(27 263)	126 272	18 297	(28 511)	4 188	(6 183)	(9)	143 312	(29 258)	114 054
Equipment	655	(485)	170	121	(150)	49	(6)		626	(442)	184
Other	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 597	(1 493)	3 104	208			(181)		4 805	(1 674)	3 131
	158 848	**(29 302)**	**129 546**	**18 626**	**(28 661)**	**4 237**	**(6 370)**	**(9)**	**148 804**	**(31 435)**	**117 369**

At June 30, 2017, the real estate received in settlement of defaulting loans was made up as follows, by type of property:

Assets	Nr. of properties	Fair value	Book value
Land	**53**	**3 685**	**2 510**
Urban	32	3 264	2 186
Rural	21	421	324
Buildings	**911**	**94 809**	**76 736**
Business	206	15 653	13 396
Housing	598	53 192	41 561
Other [1]	107	25 964	21 779
Other	**1**	**52**	**36**
	965	**98 546**	**79 282**

[1] This category includes all buildings that are not exclusively business or housing.

At December 31, 2016, the real estate received in settlement of defaulting loans was made up as follows, by type of property:

Assets	Nr. of properties	Fair Value	Book value
Land	**58**	**19 970**	**12 150**
Urban	36	19 486	11 762
Rural	22	484	388
Buildings	**1 055**	**107 752**	**88 248**
Business	213	15 988	13 598
Housing	695	62 334	48 774
Other [1]	147	29 430	25 876
Other	**6**	**415**	**329**
	1 119	**128 137**	**100 727**

[1] This category includes all buildings that are not exclusively business or housing.

At June 30, 2017 the real estate received in settlement of defaulting loans was made up as follows, by aging:

Time since the settlement / execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Book value
Land	**28**	**254**	**1 190**	**1 038**	**2 510**
Urban	13	246	1 073	854	**2 186**
Rural	15	8	117	184	**324**
Buildings	**15 384**	**17 721**	**17 618**	**26 013**	**76 736**
Business	546	1 598	4 158	7 094	**13 396**
Housing	13 816	14 373	7 498	5 874	**41 560**
Other [1]	1 022	1 750	5 962	13 045	**21 779**
Other	**36**				**36**
	15 448	**17 975**	**18 808**	**27 051**	**79 282**

[1] This category includes all buildings that are not exclusive for business or housing.

At December 31, 2016 the real estate received in settlement of defaulting loans was made up as follows, by aging:

Time since the settlement / execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Book value
Land	**248**	**9 815**	**883**	**1 204**	**12 150**
Urban	243	9 804	766	949	**11 762**
Rural	5	11	117	255	**388**
Buildings	**23 108**	**17 423**	**25 918**	**21 799**	**88 248**
Business	870	1 214	6 242	5 272	**13 598**
Housing	20 338	14 082	8 515	5 839	**48 774**
Other [1]	1 900	2 127	11 161	10 688	**25 876**
Other	**253**		**76**		**329**
	23 609	**27 238**	**26 877**	**23 003**	**100 727**

[1] This category includes all buildings that are not exclusive for business or housing.

At June 30, 2017 the variation in the recoverable VAT caption refers to the increase in the volume of leasing and ALD contracted operations.

At June 30, 2017 and December 31, 2016, the caption “Other deferred expenses” includes 5 829 t.euro and 5 416 t.euro for current contracts with service suppliers.

At June 30, 2017 the caption “Stock Exchange transactions pending settlement” is related to the acquisition of securities for which settlement only occurred on the following month.

At June 30, 2017 and December 31, 2016 the caption “Asset operations pending settlement” includes:

- 147 669 t. euro and 212 856 t. euro, respectively, relating to securitisation operations carried out by Banco BPI (Notes 4.7 and 4.20), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;
- 27 097 t. euro and 27 906 t. euro, respectively, relating to taxes paid which have been contested by Banco BPI. At the date of the financial statements there was no expected date for the decision. The main ongoing tax processes refer to the Bank’s VAT processes arising from inspections from 2004 to 2009, of which 19 916 t. euro was paid under Decree-Law 151-A / 13 of October 31. The remaining amounts of 7 181 t. euro and 8 168 t. euros relate to amounts paid under Decree-Law 248-A / 02 of November 14, as well as other processes prior to the merger carried out in 2002, relating to tax processes of various types.
- 84 355 t. euro, at December 31, 2016, regarding the contribution to be transferred to the pension fund;
- 3 348 t. euro and 4 454 t. euro, respectively, relating to housing loans pending settlement.

The changes in impairment losses and provisions during the first half of 2017 and 2016 are shown in Note 4.21.

4.15. Resources of Central Banks

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Resources of the Bank of Portugal		
Deposits	2 148 043	2 000 000
Accrued interest	(2 663)	10
Resources of other Central Banks		
Deposits	1	1
	2 145 381	**2 000 011**

During the first half of 2017 and the year of 2016 Banco BPI took funds from the EuroSystem, using part of its portfolio of eligible assets for this purpose (Note 4.32).

4.16. Financial liabilities held for trading

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Short sales		
Debt instruments		
From foreign public issuers	4 906	
Derivative instruments with negative fair value (Note 4.4)	180 880	212 713
	185 786	**212 713**

4.17. Resources of other credit institutions

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Resources of Portuguese credit institutions		
Very short-term resources	35 051	
Deposits	149 322	168 247
Other resources	2 408	2 160
Accrued interest	20	18
	186 801	170 425
Resources of foreign credit institutions		
Deposits of international financial organisations	689 268	689 293
Very short term resources	78 563	2 077
Deposits	649 293	198 963
Other resources	19 301	34 668
Accrued interest	918	1 013
	1 437 343	926 014
	1 624 144	**1 096 439**

4.18. Resources of customers and other debts

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Demand deposits	11 133 835	10 320 787
Term deposits	8 767 592	9 207 114
Savings deposits	54 229	58 179
Compulsory deposits	12 750	12 781
Cheques and orders payable	64 099	53 796
Debt securities sold with repurchase agreement	135 884	61 542
Other resources of customers	23 121	22 915
Non-controlling interests in investment funds		
BPI Alternative Fund (Lux)		249 581
Capitalisation insurance products - Unit links	2 110 653	1 930 352
Capitalisation insurance products - Guaranteed Rate and Guaranteed Retirem	18 974	20 806
Accrued interest	15 337	29 399
	22 336 474	21 967 252
Correction of the amount of hedged liabilities	(1 020)	558
Commissions relating to amortised cost (net)	16	(129)
	22 335 470	**21 967 681**

At June 30, 2017 and December 31, 2016, the caption “Debt securities sold with repurchase agreement” relates to transactions with Central Counterparties (Note 4.14) and are an instrument of the Bank’s treasury management. During 2016 Banco BPI settled these transactions preferentially through Central Counterparties.

The caption “Resources of customers” at June 30, 2017 included 636 346 t. euro and 304 028 t. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (580 060 t. euro and 168 661 t. euro, respectively, at December 31, 2016).

4.19. Debt securities

This caption is made up as follows:

	Jun. 30, 17				Dec. 31, 16			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Covered bonds								
EUR	5 700 000	(5 500 000)	200 000	0,5%	5 200 000	(4 800 000)	400 000	0,5%
	5 700 000	**(5 500 000)**	**200 000**		**5 200 000**	**(4 800 000)**	**400 000**	
Fixed rate cash bonds								
EUR	72 786	(4 886)	67 900	0,1%	98 051	(8 432)	89 619	1,3%
	72 786	**(4 886)**	**67 900**		**98 051**	**(8 432)**	**89 619**	
Variable income cash bonds								
EUR					20 100	(7 457)	12 643	
USD					5 028	(1 423)	3 605	
					25 128	**(8 880)**	**16 248**	
	5 772 786	**(5 504 886)**	**267 900**		**5 323 179**	**(4 817 312)**	**505 867**	
Accrued interest			1 313				1 204	
Correction of the amount of hedged liabilities			83				177	
Premiums and commission (net)			(405)				(478)	
			991				903	
			268 891				506 770	

The average interest rates mentioned in the preceding table were calculated based on the interest rate of each issue in relation to the nominal value of the bonds. It is not possible to calculate the rate for the Variable Income Bonds as the income is only known when it is due.

The BPI Group issues bonds on a regular basis, with different remuneration conditions:

- Fixed rate – bonds issued on which the BPI Group is committed to pay a previously defined rate of income, calculated based on a fixed interest rate from the time of issue to maturity;
- Variable rate - bonds issued on which the BPI Group is committed to pay income calculated based on a specified interest rate index published by an outside source (market);
- Variable income – bonds issued for which the return is not known, or certain, at the issue date, and can be subject to changes depending on the evolution of certain underlying assets (indexes or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (Note 4.4.). In addition, the BPI Group maintains options contracts to hedge the risks of changes in the costs incurred with these bonds.

CASH BONDS

Cash bonds can only be issued by institutions under the Bank of Portugal's supervision. Currently Banco BPI has only one issue of this type.

BONDS ISSUED UNDER THE EMTN PROGRAMME

As part of its medium and long term funding plan, the BPI Group issues bonds. Some of the bonds are issued under the Euro Medium Term Notes (EMTN) programme. The maximum amount for issues under the EMTN programme is 7 000 000 000 euro. Bonds can be issued in different currencies.

COVERED BONDS

The BPI Group set up two guaranteed bond issuance programmes under Decree-Law 59/2006. Under these programmes the BPI Group issued mortgage bonds and bonds over the public sector as described bellow.

In accordance with this law, the holders of the guaranteed bonds benefit from a special credit privilege over the autonomous cover pool of assets, which consists of a guarantee of the debt to which the bondholders have access in the event of the issuer's insolvency.

MORTGAGE BONDS

The mortgage bonds programme was set up for up to a maximum of 7 000 000 000 euro.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute an autonomous cover pool.

Assets allocated to the cover pool include mortgage loans for housing or commercial purposes located in a EU Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits at financial institutions with ratings equal to or greater than " A - " and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- The total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets assigned to the bonds;

- The average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets assigned to the bonds;

- The total amount of interest payable to the holders of mortgage bonds cannot exceed, at any time, the amount of interest receivable related to the mortgage loans and other assets assigned to the bonds;

- The net present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral of these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve.

- The credit institutions' risk exposure, except for positions with residual maturity less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At June 30, 2017 the amount of mortgage bonds issued by the BPI Group was 5 200 000 000 euro, split into nine issues as follows:

	OH - Serie 9	OH - Serie 10	OH - Serie 11	OH - Serie 12
Issue date	21/05/2010	05/08/2010	25/01/2011	25/08/2011
Nominal amount	EUR 350 000 000	EUR 600 000 000	EUR 200 000 000	EUR 600 000 000
ISIN	PTBBP6OE0023	PTBBQQOE0024	PTBBPMOE0029	PTBBWAOE0024
Maturity date	21/05/2025	05/08/2020	25/01/2018	25/08/2021
Rating (Moody's/S&P/Fitch)	Aaa/-/-/-	-/-/AAA/-	Aa1/AA/AA+/-	A3/A+/A-/-
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0,65%	Euribor 3 m + 0,65%	Euribor 3 m + 4,60%	Euribor 3 m + 0,65%
Repurchases	EUR 350 000 000	EUR 600 000 000	-	EUR 600 000 000

	OH - Serie 13	OH - Serie 14	OH - Serie 15	OH - Serie 16
Issue date	20/07/2012	30/03/2015	07/10/2015	30/05/2016
Nominal amount	EUR 800 000 000	EUR 1 250 000 000	EUR 200 000 000	EUR 500 000 000
ISIN	PTBBR3OE0030	PTBBRROE0048	PTBBPSOE0031	PTBBP7OE0022
Maturity date	20/07/2017	27/03/2025	07/10/2022	30/05/2023
Rating (Moody's/S&P/Fitch)	Baa3/A-/-/-	Baa2/-/-/-	A3/-/-/A(High)	A3/-/-/A(High)
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0,65%	Euribor 3 m + 0,50%	Euribor 3 m + 0,50%	Euribor 3 m + 0,80%
Repurchases	EUR 800 000 000	EUR 1 250 000 000	EUR 200 000 000	EUR 500 000 000

	OH - Serie 17
Issue Date	22/02/2017
Nominal Amount	EUR 700 000 000
ISIN	PTBBBGOE0023
Maturity Date	22/02/2024
Rating (Moody's/S&P/Fitch/DBRS)	A2/-/-/A(High)
Reimbursement	At maturity
Interest Payment frequency	Quarterly
Coupon	Euribor 3 m + 1,00%
Repurchases	EUR 700 000 000

At June 30, 2017 and December 31, 2016, the cover pool allocated to the mortgage bonds amounted to 6 852 082 t. euro and 6 518 035 t. euro, respectively, of which 6 834 284 t. euro and 6 501 785 t. euro corresponded to mortgage loans (Note 4.7).

BONDS OVER THE PUBLIC SECTOR

The bond program over the public sector was constituted for up to a maximum of 2 000 000 000 euro.

The bonds over the public sector are secured by a portfolio of public sector loans and other assets that together constitute the cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of bonds over the public sector is 100%.

At June 30, 2017 BPI Group held three outstanding issues of bonds over the public sector amounting to 500 000 000 euro, as follows:

	OSP - Serie 2	OSP - Serie 3	OSP - Serie 4
Issue date	30/09/2010	07/10/2015	15/06/2016
Nominal amount	EUR 250 000 000	EUR 100 000 000	EUR 150 000 000
ISIN	PTBBRHOE0024	PTBBPROE0032	PTBBPGOE0035
Maturity date	30/09/2017	07/10/2022	15/06/2023
Rating (Moody's/S&P/Fitch)	-/A/-	Baa1/-/-	Baa1/-/-
Reimbursement	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0,4%	Euribor 3 m + 0,65%	Euribor 3 m + 0,80%
Repurchases	EUR 250 000 000	EUR 100 000 000	EUR 150 000 000

At June 30, 2017 and December 31, 2016 the cover pool allocated to bonds over the public sector amounted to 723 565 t. euro and 718 734 t. euro, respectively, of which 707 665 t. euro and 715 120 t. euro corresponded to loans (Note 4.7).

The changes in the bonds issued by the BPI Group during the first half of 2017 were as follows:

	Covered Bonds	Fixed rate bonds	Variable income bonds	Total
Balance at December 31, 2016	400 000	89 619	16 248	505 867
Bonds issued during the period	700 000	7 270		707 270
Bonds redeemed	(200 000)	(27 887)	(16 248)	(244 135)
Repurchases (net of resales)	(700 000)	(1 102)		(701 102)
Balance at June 30, 2017	200 000	67 900		267 900

The changes in the bonds issued by the BPI Group in 2016 were as follows:

	Covered Bonds	Fixed rate bonds	Variable income bonds	Total
Balance at December 31, 2015	725 000	323 941	23 746	1 072 687
Bonds issued during the period	650 000	18 419		668 419
Bonds redeemed	(325 000)	(246 312)	(5 858)	(577 170)
Repurchases (net of resales)	(650 000)	(6 429)	(1 777)	(658 206)
Exchange difference			137	137
Balance at December 31, 2016	400 000	89 619	16 248	505 867

Bonds issued by the BPI Group at June 30, 2017, by maturity date, are as follows:

	Maturity					
	2017	2018	2019	2020-2023	> 2023	Total
Covered bonds						
EUR		200 000				200 000
		200 000				200 000
Fixed rate bonds						
EUR	14 466	16 930	11 935	4 569	20 000	67 900
	14 466	16 930	11 935	4 569	20 000	67 900
Total	14 466	216 930	11 935	4 569	20 000	267 900

Bonds issued by the BPI Group at December 31, 2016, by maturity date, are as follows:

	Maturity					
	2017	2018	2019	2020-2023	> 2023	Total
Covered Bonds						
EUR	200 000	200 000				400 000
	200 000	200 000				400 000
Fixed rate bonds						
EUR	42 533	17 486	9 600		20 000	89 619
	42 533	17 486	9 600		20 000	89 619
Variable income bonds						
EUR	12 643					12 643
USD	3 605					3 605
	16 248					16 248
Total	258 781	217 486	9 600		20 000	505 867

4.20. Financial liabilities relating to transferred assets

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Liabilities relating to assets not derecognised in securitisation operations (Note 4.7)		
Loans		
Housing loans	1 422 792	1 498 597
Loans to SME's	3 390 400	3 404 200
Liabilities held by the BPI Group	(4 301 578)	(4 347 231)
Accrued costs	(760)	556
Commissions relating to amortised cost (net)	571	(737)
	511 425	**555 385**

Banco BPI launched securitisation operations, the main features of which are summarised in the tables below. These were issued through Sagres – Sociedade de Titularização de Créditos S.A..

The bonds issued by securitisation vehicles and held by BPI Group entities were eliminated in the consolidation process.

On February 11, 2011 Banco BPI launched its second small and medium company securitisation operation, in the amount of 3 472 400 t. euro, under the name of Douro SME Series 2. The operation was issued through Sagres – Sociedade de Titularização de Créditos S.A..The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Fitch, DBRS)	Spread/fixed rate
▪ Class A Notes	1 819 400	4,01	A+/AA	0,15%
▪ Class B Notes	1 317 500	4,01	n/r	n/a
▪ Class C Notes		n/a	n/r	n/a
▪ Residual Note	253 500	4,01	n/r	Residual Interest
Total of the issues	3 390 400			
Liabilities held by BPI Group	(3 390 400)			
Total				

This issue was made in order to be eligible for possible funding from the European Central Bank.

On November 24, 2005 Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 t. euro, under the name of DOURO Mortgages No. 1. The operation was issued in 5 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread
▪ Class A Notes	288 746	4.50	A2/A-/A+	0,28%
▪ Class B Notes	6 110	4.50	Ba2/BB+/A	0,34%
▪ Class C Notes	5 554	4.50	B1/B+/BBB	0,54%
▪ Class D Notes	4 629	4.50	B2/B-/BB+	0,94%
▪ Class E Notes	6 000	4.50	nr/nr/nr	Residual
Total of the issues	311 039			
Other funds	3			
Liabilities held by BPI Group	(142 070)			
Total	168 972			

On September 28, 2006 Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 t. euro under the name of DOURO Mortgages No. 2. The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread
▪ Class A1 Notes	4 061	5,83	A1/BBB+/A	0,10%
▪ Class A2 Notes	410 437	5,83	A2/BBB+/A	0,28%
▪ Class B Notes	10 124	5,83	Ba2/B+/BBB	0,34%
▪ Class C Notes	6 567	5,83	B1/B-/BB+	0,46%
▪ Class D Notes	5 199	5,83	B3/B-/BB-	0,96%
▪ Class E Notes	5 237	5,83	nr/nr/nr	Residual interest
Total of the issues	441 625			
Liabilities held by BPI Group	(330 318)			
Total	111 307			

On July 31, 2007 Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 t. euro under the name of DOURO Mortgages No. 3.The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
▪ Class A Notes	634 576	7,32	A3/BB+/BBB+	0,24%
▪ Class B Notes	16 270	7,32	nr/B/BB+	0,255%
▪ Class C Notes	9 674	7,32	nr/B-/BB	0,35%
▪ Class D Notes	8 355	7,32	nr/B-/B	0,72%
▪ Class E Notes		n/a	n/a	n/a
▪ Class F Notes	1 251	7,32	nr/nr/nr	Residual interest
Total of the issues	670 126			
Reserve fund	1			
Liabilities held by BPI Group	(438 790)			
Total	231 337			

[1] In August 2016, as the option was not exercised, the spread was multiplied by 1.5.

On March 30, 2015 the housing loan securitisation operation in the amount of 1 522 500 t. euro under the name of DOURO Mortgages No. 4 was fully repaid by exercise of the call option.

On July 21, 2015 the housing loan securitisation operation in the amount of 1 421 000 t. euro under the name of DOURO Mortgages No. 5 was fully repaid by exercise of the call option.

4.21. Provisions and impairment losses

The liability caption "Provisions" is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Impairment losses and provisions for guarantees and commitments	20 557	22 473
Other provisions		
VAT's Recovery processes (2013 to 2014)	28 729	28 729
Tax contingencies	10 247	9 575
Other provisions	9 258	9 458
	68 791	**70 235**

The changes in provisions and impairment losses of the Group during the first half of 2017 were as follows:

	Balance at Dec. 31, 16	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 17
Impairment losses of loans and advances to customers (Note 4.7)	695 200	28 853	(10 354)	(39 591)		674 108
Impairment losses and provisions for guarantees and commitments	22 473	467	(2 383)			20 557
	717 673	29 320	(12 737)	(39 591)		694 665
Impairment losses of financial assets available for sale (Note 4.5)						
Equity instruments	46 867	93		(3)	(72)	46 885
Other securitites	55 742	179		(46)		55 875
Loans and other receivables	4 386		(14)	(4 372)		
Impairment losses of other assets (Note 4.14)						
Tangible assets held for sale	33 762	397	(5 111)	(6 258)		22 790
Debtors, other applications and other assets	7		(3)			4
Other provisions	47 762	1 586	(94)	(1 011)	(9)	48 234
	188 526	2 255	(5 222)	(11 690)	(81)	173 788
	906 199	**31 575**	**(17 959)**	**(51 281)**	**(81)**	**868 453**

The utilisation of impairment losses of loans and advances to customers during the first half of 2017 include 27 415 t. euro of credit write-offs and 12 176 t. euro related to credit sales.

The changes in provisions and impairment losses of the Group during the first half of 2016 were as follows:

	Balance at Dec. 31, 15	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 16
Impairment losses of loans and advances to customers (Note 4.7)	978 654	77 710	(23 706)	(47 689)	(13 558)	971 411
Impairment losses and provisions for guarantees and commitments	34 132	363	(7 082)		(325)	27 088
	1 012 786	78 073	(30 788)	(47 689)	(13 883)	998 499
Impairment losses of deposits at other credit institutions (Note 4.2)	3		(3)			
Impairment losses of financial assets available for sale (Note 4.5)						
Debt instruments [1]		20 170			(808)	19 362
Equity instruments	47 051	769		(1 152)	(18)	46 650
Other securitites	50 828	4 005		(29)		54 804
Loans and other receivables	21 672	276				21 948
Impairment losses of other assets (Note 4.14)						
Tangible assets held for sale	29 302	7 008	(638)	(4 237)		31 435
Debtors, other applications and other assets	169		(2)			167
Other provisions	65 732	4 409	(308)	(1 052)	(62)	68 719
	214 757	36 637	(951)	(6 470)	(888)	243 085
	1 227 543	**114 710**	**(31 739)**	**(54 159)**	**(14 771)**	**1 241 584**

[1] Impairment refers to debt instruments of Portugal Telecom International Finance 4.375% 24.3.2017.

Utilisation of impairment losses of loans and advances to customers during the first half of 2016 corresponds to credit write-offs.

The caption “Impairment losses of loans and advances to customers - exchange differences and others” corresponds essentially to the exchange variations of BFA’s opening balance.

In the first half of 2016, net increases in impairment of loans and advances to customers and net increases of other provisions, include 11 510 t. euro and 1 819 t. euro respectively, regarding the classification of BFA as a discontinued operation and that were included under the caption “Net Income from discontinued operations” (Note 4.9).

4.22. Technical provisions

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Immediate Life Annuity / Individual		4
Immediate Life Annuity / Group	8	22
Family Savings	2	2
BPI New Family Savings	993 529	1 066 033
BPI Retirement Guaranteed PPR	677 888	712 282
BPI Non Resident Savings	245 231	263 423
Planor	5 138	5 060
PPR BBI Vida	1 745	1 955
South PPR	34	48
	1 923 575	**2 048 829**

The technical provisions were computed on a prospective actuarial basis, contract by contract, in accordance with the technical bases of the products.

Immediate income

Individual	Interest Rate 6% Mortality Table PF 60/64
Group	Interest Rate 6% Mortality Table PF 60/64

Deferred capital with Counter-insurance with Participation in Results

Group	Interest Rate 4% and 0% Mortality Table PF 60/64, TV 73-77 and GRF 80

The technical provisions also include a provision for rate commitments, which is recorded when the effective profitability of the assets that represent the mathematical provisions of a determined product is lower than the technical interest rate used to calculate the mathematical provisions.

The BPI New Family Savings, BPI Retirement Savings PPR and BPI Non Resident Savings are capitalisation products with guaranteed capital and participation in the results.

4.23. Tax liabilities

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Current tax liability		
Corporation income tax payable	6 490	3 752
	6 490	3 752
Deferred tax liability		
Temporary differences	60 601	18 254
	60 601	18 254
	67 091	**22 006**

Details of the deferred tax liability are presented in Note 4.43.

4.24. Other Subordinated debt and participating bonds

This caption is made up as follows:

	Jun. 30, 17				Dec. 31, 16			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Other subordinated debt								
Perpetual bonds								
EUR	310 000	(250 000)	60 000	2.0%	310 000	(250 000)	60 000	2.1%
	310 000	**(250 000)**	**60 000**		**310 000**	**(250 000)**	**60 000**	
Other bonds								
EUR	600 000	(291 493)	308 507	3.4%	400 000	(391 293)	8 707	1.2%
	600 000	**(291 493)**	**308 507**		**400 000**	**(391 293)**	**8 707**	
	910 000	**(541 493)**	**368 507**		**710 000**	**(641 293)**	**68 707**	
Participating bonds								
EUR	28 081	(27 350)	731	0.2%	28 081	(27 350)	731	0.2%
	28 081	**(27 350)**	**731**		**28 081**	**(27 350)**	**731**	
Accrued interest			4 594				62	
			4 594				62	
			373 832				69 500	

The changes in debt issued by the BPI Group during the first semester of 2017 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2016	60 000	8 707	731	69 438
Bonds issued during the period		300 000		300 000
Bonds redeemed		(200)		(200)
Balance at June 30, 2017	60 000	308 507	731	369 238

The changes in debt issued by the BPI Group during 2016 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2015	60 000	8 707	731	69 438
Repurchases (net of resales)				
Balance at December 31, 2016	60 000	8 707	731	69 438

Perpetual and other bonds issued by the BPI Group at June 30, 2017 are made up as follows, by maturity date:

	Maturity					
	2017	2018	2019	2020-2023	> 2023	Total
Perpetual bonds						
EUR [1]	60 000					60 000
Other bonds						
EUR	8 507				300 000	308 507
Total	68 507				300 000	368 507

[1] In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

Perpetual and other bonds issued by the BPI Group at December 31, 2016 are made up as follows, by maturity date:

	Maturity				
	2017	2018	2019	2020-2023	> 2023
Perpetual bonds					
EUR [1]	60 000				
Other bonds					
EUR	8 707				
Total	**68 707**				

[1] In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

The participating bonds can be redeemed at par value upon request of the participants, with the approval of the Bank or upon the Bank's decision, with a six months' notice.

4.25. Other liabilities

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Creditors and other resources		
Creditors for futures operations	12 736	14 752
Consigned resources	14 255	15 020
Captive account resources	7 060	7 346
Guarantee account resources	9 709	8 394
Public Sector		
Value Added Tax (VAT) payable	310	239
Tax w ithheld at source	15 470	13 245
Social Security contributions	4 182	4 490
Other	2 953	133
Contributions to other health systems	1 348	1 417
Creditors for factoring contracts	34 448	32 992
Creditors for the supply of assets	10 665	14 190
Contributions ow ed to the Pension Fund		
Pensioners and employees		75 455
Directors		8 900
Other creditors	45 442	63 184
Deferred costs	(263)	(74)
	158 315	259 683
Liabilities with pensions and other benefits (Note 4.26)		
Pension Funds Assets		
Pensioners and employees	(1 504 019)	(1 355 356)
Directors	(51 296)	(41 790)
Past Service Liabilities		
Pensioners and employees	1 540 699	1 463 137
Directors	56 252	52 266
	41 636	118 257
Accrued costs		
Personnel costs	104 851	59 519
General administrative costs	17 954	19 009
Contribution over the banking sector	7 133	14 291
Other	2 120	2 546
	132 058	95 365
Deferred income		
On guarantees given and other contingent liabilities	3 365	3 152
Other	10 559	11 041
	13 924	14 193
Other accounts		
Foreign exchange transactions pending settlement	17 824	
Securities operations pending settlement - non stock exchange operations	25 466	18 779
Liabilities pending settlement	71 551	124 921
Other operations pending settlement	145 962	146 206
	260 803	289 906
	606 736	**777 404**

The caption “Other creditors” at June 30, 2017 and December 31, 2016 includes 28 777 t. euro and 42 305 t. euro, respectively, relating to unrealized capital subscribed for in Venture Capital Funds:

	Jun. 30, 17	Dec. 31, 16
Fundo de Recuperação, FCR	9 282	9 529
Fundo InterRisco II CI	8 707	9 050
Fundo InterRisco II - Fundo de Capital de Risco	2 821	4 388
Fundo de Reestruturação Empresarial, FCR	1 805	1 828
Fundo Pathena SCA Sicar	6 145	6 293
Other funds	17	11 217
	28 777	**42 305**

At June 30, 2017 and December 31, 2016 the caption “Other creditors” also includes:

- 3 341 t. euro and 5 106 t. euro, respectively, relating to operations with suppliers pending settlement, for the sale of prestige products;
- 2 249 t. euro and 2 512 t. euro, respectively, relating to securities of captive accounts as they are in litigation.

As mentioned in Note 2.8, in 2016 with the entry into force of the new Collective Labour Agreement, long service premium was eliminated and the proportional share of the long service premium for the anniversary in progress relating to 15, 25 or 30 years of good and effective service in the banking sector was established. At June 30, 2017 and December 31, 2016, the caption “Accrued costs – Personnel costs” includes 6 252 t. euro and 6 685 t. euros, respectively, relating to final career premiums.

The main actuarial and financial assumptions used to calculate the final career and long service premium liability are as follows:

	Jun. 30, 17	Dec. 31, 16
Demographic assumptions:		
Mortality table [1]	TV 88/90-H TV 88/90-M - 3 years [2]	TV 73/77-H - 2 years [1] TV 88/90-M - 3 years [2]
Financial assumptions:		
Discount rate		
Beginning of the year	2.00%	2.50%
End of the year	2.08%	2.00%
Salary growth rate		
Beginning of the year	1.00%	1.00%
End of the year	1.00%	1.00%

[1] Life expectancy considered was 2 years greater than the mortality table used for men.

[2] Life expectancy considered was 3 years greater than the mortality table used for woman.

The changes in the final career premium and long service premium liability during the first half of 2017 and the year of 2016 were as follows:

	Jun. 30, 17	Dec. 31, 16
Long service premiums at the beginning of the period		32 512
Long service premiums payments	(3)	(7 662)
Personnel Costs (Note 4.41):		
Current service cost	3	1 123
Interest cost		424
Other		
Gain from the extinction of the long service premium		(26 397)
Long service premium at the end of the year		
Final career premium at the beginning of the period	6 685	
Personnel costs (Note 4.41):		
Expenses with the introduction of the final career premium		5 724
Current service cost	188	159
Interest cost	70	76
Voluntary termination program	(540)	
Final career premium payment	(101)	(50)
Actuarial (Gains) and losses		
Change in the mortability table	51	589
Change in discount rate	(101)	
Other deviations		187
Final career premium at the end of the year	**6 252**	**6 685**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the rate in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of the legislation in force, in 2015 Banco BPI changed its accounting policy for recognizing the extraordinary contribution over the banking sector as it believes that the event which creates the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which is June of the following year. Therefore, the amount recorded in the caption "Accrued costs – Contribution over the banking sector" corresponds to the contribution payable in June of the following year.

The caption "Securities operations pending settlement – non stock exchange operations" at June 30, 2017 and December 31, 2016 refers to the acquisition of securities to be settled in the following month.

The caption "Liabilities pending settlement" at June 30, 2017 and December 31, 2016 includes:

- 18 655 t. euro and 76 538 t. euro, respectively, relating to transactions with loans securitisation funds;
- 16 436 t. euro and 23 675 t. euro, respectively, relating to ATM transactions to be settled;
- 21 314 t. euro and 8 753 t. euro, respectively, relating to transactions to be settled with SIBS.

The caption "Other operations pending settlement", at June 30, 2017 and December 31, 2016 includes 136 721 t. euro and 117 676 t. euro, respectively, relating to transfers under SEPA (Single Euro Payment Area).

4.26. Liability for pensions and other benefits

The past service liability relating to pensioners, personnel and Directors that are, or have been, employees of BPI Group companies[1], is calculated in accordance with IAS 19.

Benefits established by BPI Group are defined benefits based on the last salary earned and the length of service, involving the payment of benefits in the event of retirement due to old age or disability, death and final career premium (previsously long service premiums). The rules for calculating the benefits result mainly from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector. There is also a restricted group of management employees that is covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

[1] Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões)

With the publication of Decree-Law 1-A/2011 of January 3, all the bank employees that benefit from CAFEB – *Caixa de Abono de Família dos Empregados Bancários* were incorporated into the General Social Security Regime, as of January 1, 2011, being covered by this regime as regards old age pensions and in the case of maternity, paternity and adoption leave, the cost of which the Bank no longer covers. Given the complementary nature of the rules under the Collective Labour Agreement for the Portuguese Banking Sector, the Bank will continue to guarantee the difference between the amount of the benefits that will be paid under the General Social Security Regime for the eventualities covered and the benefits established in the Collective Labour Agreement.

Following the instructions of the National Council of Financial Supervisors (*Conselho Nacional dos Supervisores Financeiros*), the amount of the past service liability remained unchanged at December 31, 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (*Taxa Social Única*) of 23.6%.

Incapacity and survivor pensions and sickness subsidy of these employees will continue to be the Bank's responsibility.

Decree-Law 127/2011 of December 31, established the transfer to the Social Security of the liability for costs of the retirement and survivor pension liabilities of retired personnel and pensioners that were in that situation at December 31, 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pillar 1), as well as transfer to the Portuguese State of the corresponding pension fund assets covering these liabilities.

Through its pension fund, Banco BPI maintains the liability for payment of (i) the amount of the updates of the pensions mentioned above, in accordance with the criteria set out in the Collective Labour Agreement for the Banking Sector; (ii) the benefits complementary to the retirement and survivor pensions assumed by the Collective Labour Agreement for the Banking Sector; (iii) the contribution to Social Medical Support Services (*Serviços de Apoio Médico-Social* - SAMS); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same employee and (vi) survivor pensions due to the family of current retired employees, in which the conditions for granting the pensions occurred as of January 1, 2012.

The value of the pension fund assets transferred to the Portuguese State corresponds to the value of the liabilities undertaken by Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables under the regulations defined by the Portuguese Insurance Authority (ASF): male population: TV 73/77 less 1 year; female population: TV 88/90.

Transfer of the pension fund assets was made entirely in cash.

Transfer of ownership of the assets was carried out by the Bank under the following conditions: (i) in December 2011, the amount equivalent to 55% of the preliminary present value of the liability; (ii) in 2012, the remaining amount to complete the definitive present value of the liability, as a result of the calculation of the definitive amount of the liability transferred, made by an independent expert hired for that purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponded to a settlement, extinguishing the corresponding liability of Banco BPI, the negative difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI in the amount of 99 652 t. euro was recorded in 2011 in the statement of income caption "Operating income and expenses", as established in paragraph 110 of IAS 19. As a result of the final determination of the liability transferred to the Portuguese State and the corresponding total and definitive transmission of the Pension Funds' assets, differences in relation to the provisional amounts at the end of 2011 were determined, of which 1 542 t. relates to the amount of the liability and 1 688 t. euro to the value of the fund. The positive difference between these two amounts, totalling 145 t. euro, was recorded in 2012 in the caption "Operating income and expenses".

On June 14, 2016 a new Collective Labour Agreement ("*Acordo Colectivo de Trabalho*" – ACT) was signed with the labour unions. It was published in the Labour and Employment Bulletin ("*Boletim do Trabalho e Emprego*") on August 8, 2016 and entered into force the following day.

The new ACT established new rules for the financing of SAMS (Note 2.7), the impact of which was to decrease past service liability in the amount of 22 215 t. euro. As this is a change in benefits of the pension plan, the impact was recorded in the statement of income caption "Personnel costs", as provided for in paragraph 103 of IAS 19 (Note 4.41).

Additionally, with the new Collective Labour Agreement, mandatory promotions due to time of service were eliminated, except for the next promotion of employees who were promoted up to December 31, 2014 (Note 2.7).

The impact of the elimination of mandatory promotions due to time of service corresponded to a decrease of 9 593 t. euro in the past service liability, which was recorded by corresponding entry to equity (actuarial deviations) (Note 4.30), since the mandatory promotions due to time of service corresponded to an actuarial assumption used by Banco BPI.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liability, as well as for managing the respective Pension Funds.

The “Projected Unit Credit” method was used to calculate the normal cost and past service liability due to old age, and the “Single Successive Premiums” method was used to calculate the cost of the incapacity and survivor benefits.

The BPI Vida e Pensões pension plan was changed in accordance with the new Collective Labour Agreement (Contrato Colectivo de Trabalho – CCT) for the Portuguese Insurance Sector, signed in December 2011, and published in Labour and Employment Bulletin (Boletim do Trabalho e Emprego), n. 2, of January 15, 2012, the defined benefit plan ceasing to exist and a defined contribution plan being introduced. Therefore, the amount of the past service liability at December 31, 2011, relating to retirement pensions of current employees, hired up to June 22, 1995, which was covered by clause 51, item 4 of the Collective Labour Agreement (the consolidated text of which was published in Labour and Employment Bulletin, n. 32, of August 29, 2008), that was fully funded, was converted into individual accounts of the employees in 2012. This change does not apply to the pension liability under payment relating to employees that at December 31, 2011 were retired or pre-retired.

The commitments assumed in the regulations of Banco BPI Pension Plans are funded by Pension Funds and therefore Banco BPI is exposed to risks resulting from the valuation of the liability and the value of the related pension funds. The Pension Funds of Banco BPI are disclosed in Note 4.50.

As regards determination of the liability, Banco BPI is exposed to adverse changes in interest rates and credit spreads, since the discount rate used to determine the liability results from the income of corporate bonds with AA ratings and so includes exposure to the risk-free yields and credit spreads. In addition to the risks inherent in the discount of the future liabilities, there is exposure to the long-term inflation and mortality rates. Any change in these rates could affect positively or negatively the amount of liabilities payable by Banco BPI.

In the case of financial assets included in the Pension Fund assets, there is exposure of the equity component to market risk, of the bond component to interest rate risk and credit risk, as well as to currency risk. In the case of real estate assets, the main risks result from the nature of the composition of the portfolio, quality and diversification of the assets and from factors inherent to the economic developments and government policies for the sector.

The investment policy was defined considering a long-term strategy, with an allocation of assets that includes shares, bonds, real estate and short-term investments. This strategy ensures suitability to the type of liability and also contributes to the appropriate diversification of investments through the long-term expectation of different returns and volatilities of the different asset classes.

The main actuarial assumptions used to calculate the pension liability are as follows:

	Jun. 30, 17	Dec. 31, 16
Demographic assumptions:		
Mortality table	TV 88/90-H TV 88/90-M - 3 years [2]	TV 73/77-H - 2 years [1] TV 88/90-M - 3 years [2]
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning of the period	2.00%	2.50%
End of the period	2.08%	2.00%
Pensionable salary increase rate [3 4]	1.00%	1.00%
Pension increase rate [4]	0.50%	0.50%

[1] Life expectancy considered was 2 years greater than the mortality table used for men.

[2] Life expectancy considered was 3 years greater than the mortality table used for women.

[3] The mandatory promotions resulting from the current ACT and the projections of diuturnities are considered autonomously, directly in the estimation of the evolution of salaries, equivalent to an increase of 0.5%.

[4] Having considered a growth rate of pensionable wages and pensions for 2016 and 2017 of 1.25% and 0.75%, respectively, in accordance with the new ACT.

The actual results obtained in relation to the main financial assumptions were:

	Jun. 30, 17	Dec. 31, 16
Pensionable salary increase rate [1]	[1]	2.40% [2]
Pension increase rate [2]	[1]	0.75% [3]
Pension fund income rate		
Banco BPI	6.86% [4]	(1.17)%
Other companies	2.91% [4]	0.86%

[1] Rate calculated only annually.

[2] Calculated based on average pensionable salary changes for current employees in the beginning and in the end of the year (including changes in remuneration levels, the effect on mandatory promotions due to time of service and seniority payments and does not consider the new entrees and leaves).

[3] Corresponds to the ACT table update rate.

[4] Rate relative to the first half of 2017, not annualized.

The following assumptions were used to calculate the amount of the social security pension which, under the provisions of the Collective Labour Agreement (ACT), must be deducted from the pension established in the ACT:

	Jun. 30, 17	Dec. 31, 16
Salary increase rate for purposes of calculating the Social Security pension [1]	2.00%	2.00%
Salary revaluation rate for purposes of calculating the Social Security pension	1.00%	1.00%
Social Security pension increase rate	0.50%	0.50%

[1] Pensionable salary for Social Security includes all wages, while the pensionable salary under ACT consists only on the portion of the level base salary and seniority payments, with an estimated evolution of the total pensionable salary for Social Security larger than the pensionable salary under ACT.

Calculation of the liability for retirement and survivor pensions of the BPI Group at June 30, 2017 was based on projections of the amounts of the actuarial valuation as of December 31, 2016.

At December 31, 2016 the number of pensioners and employees covered by the pension plans funded by the pension funds was as follows:

	Dec. 31, 16
Retired pensioners	7 248
Survivor pensioners	1 388
Current employees	5 576
Former employees (clauses 137 A and 140 of the ACT)	3 671
	17 883

The past service liability for pensioners and employees of the BPI Group and respective coverage by the Pension Fund at June 30, 2017 and December 31, 2016 are as follows:

	Jun. 30, 17	Dec. 31, 16
Total past service liability		
Liability for pensions under payment	868 434	810 215
Of which: [increase in the liability resulting from early retirements during the year]	[54 068]	[53 952]
Past service liability of current and former employees		
active and former employees	672 265	652 922
	1 540 699	**1 463 137**
Net assets of the Pension Fund	1 504 019	1 355 356
Contributions to be transferred to the Pension Fund		75 455
Excess/(Insufficient) coverage	(36 680)	(32 326)
Degree of coverage	98%	98%

In accordance with Decree Law 12/2006 of January 20, only in very special conditions is it possible to return excess funding, so it is assumed that any excess will be used to reduce future contributions.

The average duration of the pension liability of BPI Group employees is 18.1 years, including both current employees and pensioners.

As at December 31, 2016, the Bank recorded in the caption Other Liabilities – contributions owed to the Pension Fund (Note 4.25) 75 455 t. Euro related to the 2016 contribution made in January 2017, after which the percentage of liabilities coverage corresponds to 98%.

The degree of coverage of the liability complies with the rule defined in Bank of Portugal Notice 4/2005, which establishes the requirement of full funding of pensions in payment and a 95% minimum level of funding of the past service liability for current employees, at the end of each year.

Evolution of the degree of coverage of the liability in the past five years was as follows:

	Jun. 30, 17	2016	2015	2014 Proforma	2013 Proforma
Total past service liability	1 540 699	1 463 137	1 279 923	1 278 394	1 082 369
Net assets of the Pension Fund	1 504 019	1 355 356	1 391 069	1 201 648	1 129 067
Contributions to be transferred to the Pension Fund		75 455	1 279	47 008	2 853
Excess/ (insufficient) coverage	(36 680)	(32 326)	112 425	(29 738)	49 551
Degree of coverage	98%	98%	109%	98%	105%

The changes in the present value of the past service liability during the first half of 2017 and in 2016 were as follows:

	Jun. 30, 17	Dec. 31, 16
Liability at the beginning of the period	1 463 137	1 279 923
Current cost:		
Of the BPI Group	(3 423)	(4 112)
Of the employees	1 863	3 712
Interest cost	14 419	31 257
Actuarial (gain) and loss in the liability	40 682	153 080
Early retirements	54 068	53 952
Change in the pension plan conditions - SAMS		(22 215)
Pensions payable (estimate)	(18 074)	(32 460)
Voluntary terminations	(11 973)	
Liability at the end of the period	**1 540 699**	**1 463 137**

The sensitivity analysis to a change of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a change in a given year) at June 30, 2017 would result in the following impact on the present value of the past service liability [(1)]:

	(decrease)/increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	-4.6%	(70 866)
Decrease by 0.25%	-4.9%	75 933
Change in the salary increase rate [2]		
Increase by 0.25%	1.5%	22 948
Change in the pension increase rate [3]		
Increase by 0.25%	5.4%	83 914
Mortality Table		
+1 year	3.3%	51 385

[1] The same calculation method and assumptions used in the calculation of the liabilities were used, only the assumptions under analysis are changing.

[2] The increase in the changes in salaries applies only to the pensionable salary pension scheme component according with the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.

[3] The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension funds in the first half of 2017 and in 2016 are as follows:

	Jun. 30, 17	Dec. 31, 16
Net assets of the Pension Funds at the beginning of the period	1 355 356	1 391 069
Contributions:		
by BPI Group	75 455	11 050
by employees	1 863	3 712
Pension Fund income (net)		
Income on plan assets computed w ith the discount rate	14 033	32 357
Deviation of return on assets	78 483	(48 392)
Pensions paid by the Pension Funds	(21 171)	(34 440)
Net assets of the Pension Funds at the end of the period	**1 504 019**	**1 355 356**

The estimated contribution to the pension plan to be made by the employees in 2017 amounts to 1 903 t. euros.

At June 30, 2017 and December 31, 2016 the assets that compose Banco BPI's Employees' Pension Funds were as follows:

	Jun. 30, 17		Dec. 31, 16	
	Value	%	Value	%
Liquidity	253 581	16,9%	131 154	9,7%
Fixed rate bonds				
Listed	194 873	13,0%	225 650	16,6%
Floating rate bonds				
Listed	160 217	10,7%	168 602	12,5%
Shares				
Listed	417 235	27,7%	366 529	27,0%
Not listed	44 402	3,0%	46 351	3,4%
Real estate	327 894	21,8%	312 842	23,1%
Other				
Listed	105 817	6,9%	104 228	7,7%
	1 504 019	**100,0%**	**1 355 356**	**100,0%**

In the first half of 2017 and in 2016 the contributions made by the Group to the Pension Fund were made in cash.

The changes in the fair value of the Pension Fund assets used by entities of the BPI Group or representing securities issued by these entities in the first half of 2017 were as follows:

	Dec. 31, 16	Acquisitions	Changes in fair value	Sales	Jun. 30, 17
Fair value of the plan assets:					
Financial instruments issued by the BPI Group					
Bonds	51 386		4 053		55 439
	51 386		4 053		55 439
Premises used by the BPI Group	193 934	510	10 405	930	203 919
	245 320	**510**	**14 458**	**930**	**259 358**

The changes in the fair value of the Pension Fund assets used by entities of the BPI Group or representing securities issued by these entities in 2016 were as follows:

	Dec. 31, 15	Acquisitions	Changes in fair value	Sales	Dec. 31, 16
Fair value of the plan assets:					
Financial instruments issued by the BPI Group					
Bonds	60 067		(8 681)		51 386
	60 067		(8 681)		51 386
Premises used by the BPI Group	193 535	13 077	5 011	17 689	193 934
	253 602	**13 077**	**(3 670)**	**17 689**	**245 320**

As mentioned in Note 2.7, and in accordance with the requirements of IAS 19, the Bank recognizes the effects of re-measuring the net liability (asset) of the defined benefits relating to the pension plans and other post-employment benefits, directly in equity, in the Statement of comprehensive income, in the period in which they occur, including the actuarial gains and losses and deviations relating to the return on the pension fund assets.

The changes in actuarial deviations[1] from 2013 to 2016 and in the first half of 2017 were as follows:

Amount at December 31, 2012 Proforma [2]	**(89 393)**
Adjustment in the ACT Table below the estimate	22 467
Change in the actuarial assumptions	
Discount rate and pension increase rate	(93 721)
Mortality table	(42 635)
Deviation in pension fund income	114 986
Deviation in pensions paid	441
Other	(4 452)
Amount at December 31, 2013 Proforma	**(92 307)**
Adjustment in the ACT Table below the estimate	18 305
Change in the financial and demographic assumptions	
Discount rate and pension and salary increase rate	(149 225)
Other	(2 400)
Deviation in pension fund income	44 594
Deviation in pensions paid	(1 516)
Other	(1 345)
Amount at December 31, 2014 Proforma	**(183 894)**
Adjustment in the ACT Table below the estimate	13 830
Change in the financial and demographic assumptions	
Other	(1 029)
Deviation in pension fund income	138 042
Deviation in pensions paid	(88)
Deviation resulting from the increase in the national minimum salary	(6 000)
Other	(1 402)
Amount at December 31, 2015 (Note 4.30)	**(40 541)**
Adjustment in the ACT Table above the estimate	(13 017)
Change in the financial and demographic assumptions	
Mortality table	(10 985)
Discount rate	(129 409)
Elimination of automatic promotions - ACT	9 593
Deviation in pension fund income	(48 392)
Deviation in pensions paid	(1 978)
Other [3]	(9 262)
Amount at December 31, 2016 (Note 4.30)	**(243 991)**
Change in the financial and demographic assumptions	
Mortability table	(63 384)
Discount rate	22 702
Deviation in pension fund income	78 483
Deviation in pensions paid	(3 099)
Amount at June 30, 2017 (Note 4.30)	**(209 289)**

[1] Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectively realised and changes in the actuarial assumptions.

[2] Excluding deviations relating to transferred liabilities.

[3] Includes (3 920) t. euro relating to deviations of mortality and (2 684) t.euro from incapacity pension.

The consolidated financial statements as of June 30, 2017 and 2016 proforma include the following amounts relating to coverage of the pension liability, in the captions “Interest and financial gain and loss with pensions” (Note 4.39) and “Personnel costs” (Note 4.41):

	Jun. 30, 17	Dec. 31, 16 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	14 419	15 153
Income on Plan assets computed with the discount rate	(14 033)	(16 497)
	386	**(1 344)**
Personnel costs		
Current service cost	(3 423)	(1 594)
Increase in liabilities for early retirements [1]	54 349	42 995
Compensation for early retirements	13 551	4 155
Change in the pension plan conditions - SAMS		(22 215)
Voluntary termination	(11 973)	
	52 504	**23 341**

[1] In June 2017 includes 281m. related to the early retirement program still occurring.

The Members of the Executive Committee of the Board of Directors of Banco BPI, S.A. and the remaining Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan. At December 31, 2006 a pension fund was started to cover this liability.

The main actuarial assumptions used to calculate the pension liability were as follows:

	Jun. 30, 17	Dec. 31, 16
Demographic assumptions:		
Mortality table	TV 88/90-H TV 88/90-M - 3 years [2]	TV 73/77-H - 2 years [1] TV 88/90-M - 3 years [2]
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning of the period	2.00%	2.5%
End of the period	2.08%	2.00%
Pensionable salary increase rate	0.5%	0.5%
Pension increase rate [3]	0.5%	0.5%

[1] Life expectancy considered was 2 years greater than the mortality table used for men.

[2] Life expectancy considered was 3 years greater than the mortality table used for women.

[3] Corresponds to the ACT table update rate.

The actual results obtained in relation to the main financial assumptions were as follows:

	Jun. 30, 17	Dec. 31, 16
Pensionable salary increase rate	[1]	0.40% [2]
Pension increase rate	[1]	0.52% [3]
Pension fund income rate	3.43% [4]	0,90%

[1] Rate only verified annually.

[2] Calculated based on average pensionable salary changes for current Directors in the beginning and in the end of the year.

[3] Corresponds to the ACT table update rate.

[4] Rate relative to the first half of 2017, not annualized.

At June 30, 2017 and December 31, 2016 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	Jun. 30, 17	Dec. 31, 16
Total past service liability		
Liability for pensions under payment	22 629	20 732
Of w hich: [increase in the liability resulting from early retirements during the period]	[705]	
Past service liability of current and former Directors	33 623	31 534
	56 252	**52 266**
Net assets of the Pension Funds	51 296	41 790
Contributions to be transferred to the Pension Fund		8 900
Excess/(Insufficient) coverage	(4 956)	(1 576)
Degree of coverage	91%	97%

The average duration of the pension liability of Directors is 11.8 years, including both current and retired Directors.

As of December 31, 2016, the Bank recorded in the caption “Other Liabilities - Contribution owed to the Pension Fund” (Note 4.25) the amount of 8 900 t. Euros relating to the contribution for 2016 made in January 2017, after which the degree of coverage of liabilities at that date amounts to 97%.

The degree of coverage complies with the rule defined in Bank of Portugal Notice 4/2005, which establishes the requirement of full funding of pensions in payment and a 95% minimum level of funding of the past service liability for current employees.

The changes in the degree of coverage of the liabilities in the past five years were as follows:

	Jun. 30, 17	2016	2015	2014 Proforma	2013 Proforma
Total past service liability	56 252	52 266	43 979	43 744	39 137
Net assets of the Pension Fund	51 296	41 790	42 311	39 098	35 262
Contributions to be transferred to the Pension Fund		8 900	364	3 393	2 805
Excess / (insufficient) coverage	(4 956)	(1 576)	(1 304)	(1 253)	(1 070)
Degree of coverage	91%	97%	97%	97%	97%

The changes in the present value of the past service liability of the plan in the first half of 2017 and in 2016 were as follows:

	Jun. 30, 17	Dec. 31, 16
Liability at the beginning of the year	52 266	43 979
Current service cost	660	1 648
Interest cost	528	1 132
Actuarial (gains)/losses on liabilities	2 856	6 888
Early retirements during the period	705	
Pensions payable (estimate)	(763)	(1 381)
Liability at the end of the period	**56 252**	**52 266**

At June 30, 2017, the sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) would result in the following impact on the present value of the past service liability (1):

	(decrease)/increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	-3.1%	(1 747)
Decrease by 0.25%	3.3%	1 838
Change in the salary increase rate [2]		
Increase by 0.25%	0.3%	164
Change in the pension increase rate [3]		
Increase by 0.25%	3.2%	1 798
Mortality Table		
+1 year	3.3%	1 856

[1] The same calculation method and assumptions used in the calculation of the liabilities were used, only the assumptions under analysis are changing.

[2] The increase in the changes in salaries applies only to the pensionable salary pension scheme component according with the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.

[3] The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension fund in the first half of 2017 and in 2016 were as follows

	Jun. 30, 17	Dec. 31, 16
Net assets of the Pension Fund at the beginning of the period	41 790	42 311
Contributions made	8 900	364
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	505	1 072
Deviation of return on assets	929	(686)
Pensions paid by the Pension Fund	(828)	(1 271)
Net assets of the Pension Fund at the end of the period	**51 296**	**41 790**

In the first half of 2017 and in 2016 there were no assets in the Pension Funds of the Directors being used by BPI Group entities or representative securities issued by these entities.

At June 30, 2017 and December 31, 2016 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	Jun. 30, 17		Dec. 31, 16	
	Value	**%**	**Value**	**%**
Liquidity	1 411	2,8%	1 387	3,3%
Fixed rate bonds				
Listed	27 249	53,1%	21 898	52,4%
Floating rate bonds				
Listed	5 613	10,9%	2 875	6,9%
Shares				
Listed	13 183	25,7%	12 278	29,4%
Real Estate	384	0,7%	351	0,8%
Other				
Listed	3 456	6,8%	3 001	7,2%
	51 296	**100,0%**	**41 790**	**100,0%**

Contributions to the Pension Funds in the first half of 2017 and in 2016 were paid in cash.

As mentioned in Note 2.7, and in accordance with the requirements of IAS 19, the Bank recognizes the effects of re-measuring the net liability (asset) of the defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which they occur, including the actuarial gains and losses and deviations in the return on pension fund assets.

The changes in actuarial deviations from 2013 to 2016 and in the first half of 2017 were as follows:

Amount at December 31, 2012 Proforma	**(1 432)**
Change in the financial and demographic assumptions	
Discount rate and pension increase rate	(2 262)
Mortality table	(1 192)
Deviation in pension fund income	(238)
Deviation in pensions paid	236
Other	1 236
Amount at December 31, 2013 Proforma	**(3 652)**
Change in the financial and demographic assumptions	
Discount rate pension and salary increase rate	(4 897)
Changes on the retirement age assumptions	1 709
Deviation in pension fund income	816
Deviation in pensions paid	163
Other	505
Amount at December 31, 2014 Proforma	**(5 356)**
Deviation in pension fund income	(68)
Deviation in pensions paid	10
Changes on the retirement age assumptions	1 029
Other	459
Amount at December 31, 2015	**(3 926)**
Deviation in pension fund income	(686)
Deviation in pensions paid	108
Changes on financial and demographic assumptions	
Discount rate	(3 038)
Other [1]	(3 850)
Amount at December 31, 2016 (Note 4.30)	**(11 392)**
Deviation in pension fund income	929
Deviation in pensions paid	(63)
Changes on financial and demographic assumptions	
Mortality table	(3 414)
Discount rate	558
Amount at June 30, 2017 (Note 4.30)	**(13 382)**

[1] Includes 4 100 t.euro in deviation regarding changes in retirement age for some Directors.

The consolidated financial statements as of June 30, 2017 and December 31, 2016 include the following amounts relating to coverage of the pension liability for Directors, in the captions “Interest and financial gain and loss with pensions” (Note 4.39) and “Personnel costs” (Note 4.41):

	Jun. 30, 17	Jun. 30, 16 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	528	561
Income on Plan assets computed with the discount rate	(505)	(545)
	23	**16**
Personnel costs		
Current service cost	660	824
Costs with increased liability for early retirement	705	
	1 365	**824**

4.27. Share Capital

At June 30, 2017 and December 31, 2016 Banco BPI's share capital amounted to 1 293 063 t. euro, represented by 1 456 924 237 ordinary shares, with no par value.

The Shareholders' General Meeting held on April 26, 2017 approved the following:

1) That Banco BPI's Board of Directors be authorised to:
   a) Purchase treasury shares of up to 10% of Banco BPI's share capital, provided that:
      i) the treasury shares are purchased on a market registered by the Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* - CMVM), at a price between 120% and 80% of the weighted daily average prices of Banco BPI shares on the 10 official price market sessions managed *by Euronext Lisboa - Sociedade Gestora de Mercados Regulamentados, S.A*. (Euronext) preceding the date of purchase;
      or
      ii) the purchases results from assets received in payment agreements, to settle obligations emerging from contracts entered into by Banco BPI, provided that the value attributed, for that purpose, to the shares does not exceed the value determined by application of the criteria defined in (i) above;

   b) Sell Banco BPI shares provided that:
      i) Shares are surrendered to Directors and Employees of Banco BPI and of its subsidiaries, including those resulting from the exercise of call option rights on Banco BPI shares by those Directors and Employees, under the terms and conditions set out in the Share Incentive Scheme; or
      ii) the shares are sold to third parties under the following conditions:
         (1) the shares are sold in a market registered with the Securities Market Commission; and
         (2) the shares are sold at a price not less than 80% of the daily weighted average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext preceding the date of sale;
   c) Carry out repurchase or resale agreements or the loan of shares of Banco BPI, provided that such operations are conducted with qualified investors that meet the requirements to be eligible counterparties of Banco BPI, in accordance with articles 30 and 317-D of the Securities Code (Código dos Valores Mobiliários).
2) That any acquisitions and disposal authorised by this resolution may be carried out within eighteen months from the resolution date.
3) That the provisions set forth in the preceding paragraphs apply, with appropriate adjustments, to the acquisition and disposal of Banco BPI shares by Banco Português de Investimento, S.A.
4) That, without prejudice of its freedom to decide and take action in accordance with the framework of authorities in the above paragraphs 1 to 3, the Board of Directors, take in consideration, where deemed reasonable due to relevant circumstances, the item 3 of the Regulation.

4.28. Other equity instruments and treasury shares

These captions are made up as follows:

	Jun. 30, 17	Dec. 31, 16
Other equity instruments		
Cost of shares to be made available to Group employees		
RVA 2013	99	578
RVA 2014	76	63
RVA 2015	556	545
RVA 2016		243
Costs of options not exercised (premiums)		
RVA 2010		369
RVA 2011		37
RVA 2012	903	1 249
RVA 2013	88	1 225
	1 722	4 309
Treasury shares		
Shares to be made available to Group employees		
RVA 2013		305
Shares hedging RVA options		
RVA 2010		5 847
RVA 2011		1 904
RVA 2012	374	2 558
RVA 2013	3	27
Other shares		168
	377	10 809

The caption “Other equity instruments” includes accrued share-based payment program (RVA) costs relating to shares to be made available and options not yet exercised.

Details of the share-based Variable Remuneration Programme (RVA) are included in Note 4.48.

The BPI Group’s financial statements as of December 31, 2016 reflect 5 544 969 treasury shares, including 168 917 treasury shares to be made available under the RVA programme for which ownership was transferred to the employees on the grant date.

In the first half of 2017 and in 2016 the Bank recorded directly in shareholders’ equity losses of (4 026) t. euro and (739) t. euro, respectively, on the sale of treasury shares hedging the variable remuneration (RVA) programme.

4.29. Revaluation reserves

This caption is made up as follows

	Jun. 30, 17	Dec. 31, 16
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (Note 4.5):		
Debt Instruments		
Securities	30 753	30 464
Hedging derivatives	(33 884)	(43 424)
Equity Instruments	25 444	26 548
Other	1 516	154
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary and associated companies	(34 855)	(38 789)
Equity instruments available for sale	(1)	8
Legal revaluation reserve	703	703
	(10 324)	**(24 336)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	2 687	4 912
Tax liabilities	(4 217)	(2 090)
Resulting from foreign exchange differences on investments in foreign entities		
Tax assets	4	
	(1 526)	**2 822**
	(11 850)	**(21 514)**

Deferred taxes have been calculated in accordance with current legislation and correspond to the best estimate of the impact of recognising the unrealized gains and losses included in the caption “Revaluation Reserves”.

4.30. Other reserves and retained earnings

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Legal reserve	130 081	104 499
Merger reserve	2 530	2 530
Consolidation reserves and retained earnings	826 070	766 771
Other reserves	739 073	508 844
Actuarial deviations - Pensions liabilities		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(222 670)	(255 383)
Actuarial deviations - final career premium	(726)	(776)
Taxes related to actuarial deviations	105 212	114 750
Loss on treasury shares	(9 110)	(5 084)
Taxes relating to gain on treasury shares	2 809	1 706
	1 379 731	**1 044 319**

In accordance with Article 97 of the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law 298/91 of December 31 and amended by Decree-Law 201/2002 of September 25, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

As mentioned in Note 2.8, with application of the new ACT in 2016, a final career premium was set corresponding to 1.5 times the effective monthly remuneration of the employee at the time of termination of the labour contract due to retirement. Considering that the final career premium corresponds to a post-employment benefit in accordance with IAS 19, the corresponding actuarial deviations are recognized through equity.

At June 30, 2017 and December 31, 2016 the share premium account and legal reserve of the BPI Group companies which, under the applicable regulations, may not be distributed, amounted to 194 466 t. euro and 156 619 t. euro, respectively which, weighted by Banco BPI's effective participation percentage in these companies, amounted to 93 184 t. euro and 77 226 t. euro, respectively. These reserves are included in the captions consolidation reserves and retained earnings and revaluation reserves.

The caption "Consolidation reserves" at June 30, 2017 and December 31, 2016 includes 15 023 t. euro and 11 656 t. euro, respectively, relating to the amount of the revaluation reserves of the companies recorded in accordance with the equity method, weighted by the BPI Group's (effective) participation in them.

4.31. Non-controlling interests

This caption is made up as follows:

	Balance		Income Statement	
	Jun. 30, 17	Dec. 31, 16	Jun. 30, 17	Jun. 30, 16 Proforma
Non-controlling interests:				
Banco de Fomento Angola, S.A.		466 273		82 049
BPI Capital Finance Ltd	1 754	1 775	24	23
	1 754	**468 048**	**24**	**82 072**

In December 2008, as part of the sale of 49.9% of BFA´s capital to Unitel, a shareholders´ agreement between Banco BPI and Unitel as regards BFA, was entered into. The agreement is valid for a period of 20 years as from the date of its signature (which took place on December 9, 2008), being automatically renewable for similar periods, unless terminated by either party up to the end of the fifteenth year of the initial term or the resulting ongoing renewal period. The agreement contains, among other provisions, rules on the composition of the governing bodies and on the transfer of BFA´s shares, rules which, in the latter case, include a reciprocal preference right over the onerous transfer of BFA´s shares.

As part of the sale of 2% of BFA share capital to Unitel, which took place on January 5, 2017, Banco BPI and Unitel entered into a new Shareholders' Agreement relating to BFA. This new Shareholders Agreement came into effect on the date of the sale. The full implementation of the new Shareholders' Agreement will automatically put the term to the Shareholder Agreement of 2008, without the need for any additional formality.

Non-controlling interests in BPI Capital Finance at June 30, 2017 and December 31, 2016 includes respectively 1 731 t. euro and 1 756 t. euro, relating to preference shares:

	Jun. 30, 17			Dec. 31, 16		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
"C" Series Shares	250 000	(248 269)	1 731	250 000	(248 244)	1 756
	250 000	(248 269)	1 731	250 000	(248 244)	1 756

The C Series preference shares, with a nominal value of 1 000 euro each, issued in August 2003, entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate plus a spread of 1.55 percentage points up to August 12, 2013 and thereafter to a non-cumulative preference dividend at a rate equal to the three month Euribor rate plus a spread of 2.55 percentage points. The dividends are payable quarterly on February 12, May 12, August 12 and November 12 of each year. The payment of dividends and redemption of the preference shares are guaranteed by Banco BPI.

BPI Capital Finance, Ltd. will not pay any dividend on the preference shares if, during the year or quarter in progress, such dividend plus amounts already paid exceed Banco BPI's distributable funds.

The C Series preference shares are redeemable in whole or in part at their nominal value, at the option of BPI Capital Finance, Ltd. on any dividend payment date as from August 2013, subject to prior consent of the Bank of Portugal and Banco BPI. The C series preference shares are also redeemable in whole, but not in part, at the option of BPI Capital Finance, Ltd, with prior approval of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

These shares are subordinate to all liabilities of Banco BPI and "pari passu" with any other preference shares that might be issued by the Group in the future.

4.32. Off-balance sheet items

This caption is made up as follows:

	Jun. 30, 17	Dec. 31, 16
Guarantees provided and other contingent liabilities		
Guarantees and sureties	1 245 023	1 294 856
Stand-by letters of credit	50 217	62 954
Documentary credits	116 911	108 316
Sureties and indemnities	82	82
	1 412 233	**1 466 208**
Assets pledged as collateral	**7 622 109**	**7 703 222**
Commitments to third parties		
Irrevocable commitments		
Options on assets	6	8 271
Irrevocable credit lines	473	1 356
Securities subscription	411 340	409 638
Term commitment to make annual contributions to the Deposit Guarantee Fund	38 714	38 714
Term liabilities for annual contributions to the Resolution Fund	4 640	2 636
Potencial responsability for the investor compensation scheme	10 118	9 910
Other irrevocable commitments	4 536	531
Revocable commitments	2 754 422	2 921 423
	3 224 249	**3 392 479**
Responsibility for services provided		
Deposit and safeguard of assets	29 450 616	26 297 858
Amounts for collection	702 569	187 091
Assets managed by the institution	7 597 350	6 367 046
	37 750 535	**32 851 995**

The structure, by sector, of the guarantees provided by the BPI Group at June 30, 2017 and December 31, 2016 is as follows:

	Jun. 30, 17		Dec. 31, 16	
	Value	**%**	**Value**	**%**
Domestic activity:				
Agriculture, animal production and hunting	3 906	0,3	3 278	0,2
Forestry and forest operations	435		526	
Fishing	285		176	
Mining	3 221	0,2	3 179	0,2
Beverage, tobacco and food	22 910	1,6	43 303	3,0
Textiles and clothing	12 452	0,9	11 853	0,8
Leather and related products	1 995	0,1	1 673	0,1
Wood and cork	16 200	1,1	18 123	1,2
Pulp, paper, cardboard and graphic arts	9 578	0,7	9 543	0,7
Coke, refined petroleum products and fuel pellets	746	0,1	767	0,1
Chemicals, synthetic or artificial fibres, except pharmaceutical products	7 692	0,5	8 957	0,6
Base pharmaceutical products and pharmaceutical mixtures	625		2 215	0,2
Rubber and plastic materials	4 180	0,3	7 896	0,5
Other mineral non-metallic products	61 554	4,4	28 051	1,9
Metalworking industries	33 212	2,4	38 271	2,6
Computers, electronic, electrical and optical equipment	13 754	1,0	11 981	0,8
Transport equipment	22 442	1,6	24 969	1,7
Other manufacturing industries	7 832	0,6	8 420	0,6
Electricity, gas and water	38 839	2,8	35 887	2,4
Water treatment and collection	42 681	3,0	49 181	3,4
Construction	251 953	17,8	278 586	19,0
Wholesale and retail trade; motor vehicle and motorcycle repairs	188 315	13,3	199 299	13,6
Transport and storage	180 654	12,9	176 409	12,1
Restaurants and hotels	24 067	1,7	26 514	1,8
Information and communication activities	68 494	4,9	78 368	5,3
Investment holding companies	10 945	0,8	8 745	0,6
Financial intermediation, except for insurance and pension funds	71 106	5,0	34 259	2,3
Insurance, reinsurance and pension funds, except for mandatory social security	1 018	0,1	973	0,1
Auxiliary activities to financial services and insurance	301		425	
Real estate	22 956	1,6	20 516	1,4
Consulting, scientific, technical and similar activities	172 957	12,2	194 434	13,3
Administrative and support services	15 420	1,1	15 166	1,0
Public administration, defence and mandatory social security	6 737	0,5	8 441	0,6
Education	206		206	
Healthcare and welfare	13 308	0,9	9 391	0,6
Leisure, cultural and sports activities	8 894	0,6	36 053	2,5
Other service companies	14 660	1,0	15 825	1,1
Individuals				
Other	55 703	3,9	54 349	3,7
	1 412 233	**100,0**	**1 466 208**	**100,0**

At December 31, 2016 the amount of Guarantees provided by BFA present the following structure by sector (in t. euro):

	Dec. 31, 16	
	Value	%
Credit and financial institutions	36 251	17.4
Non financial enterprises	171 788	82.6
Individuals	81	
	208 120	**100.0**

The caption "Assets pledged as collateral" at June 30, 2017 and December 31, 2016 includes:

- 57 859 t. euro and 64 043 t. euro, respectively, relating to credit and 6 493 388 t. euro and 6 662 958 t. euro relating to securities, captive for obtaining funding from the European Central Bank (ECB);
- 5 372 t. euro and 5 041 t. euro, respectively, relating to securities pledged in guarantee to the Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* - CMVM) under the Investor Indemnity System;
- 44 632 t. euro and 45 061 t. euro, respectively, relating to securities given in guarantee to the Deposit Guarantee Fund;
- 135 711 t. euro and 61 527 t. euro, respectively, relating to sale operations with repurchase agreements of bonds.

Additionally, at June 30, 2017 and December 31, 2016 the caption "Assets pledged as collateral" includes, respectively, 855 000 t. euro and 831 905 t. euro of securities and 30 087 t. euro and 32 617 t. euro of loans, pledged as collateral to the European Investment Bank.

The caption "Commitments to third parties - Options on assets" at June 30, 2017 and December 31, 2016 corresponds to share options issued by the BPI Group under the share-based payments programme (RVA).

The caption "Commitments to third parties - Securities subscription" at June 30, 2017 and December 31, 2016 corresponds to Banco BPI's commitment to subscribe for commercial paper if the securities issued are not totally or partially subscribed for by the market.

The caption "Term commitment to make annual contributions to the Deposit Guarantee Fund" at June 30, 2017 and December 31, 2016 corresponds to BPI's legally required irrevocable commitment, to pay to the Fund, upon its request, the amount of the annual contributions not yet paid.

The caption "Commitment to the Investor Indemnity System" at June 30, 2017 and December 31, 2016 corresponds to BPI's irrevocable commitment, legally required under the applicable legislation, to pay to the System, if required to do so, its share of the amounts necessary to indemnify investors.

At June 30, 2017 the BPI Group managed the following third party assets:

Investment Funds and PPRs	4 193 900
Pension Funds [1]	2 620 856

[1] Includes the Group companies' Pension Funds.

4.33. Financial margin (narrow sense)

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Interest and similar income		
Interest on deposits with banks	42	30
Interest on placements with credit institutions	4 010	2 061
Interest on loans to customers	146 002	153 565
Interest on credit in arrears	3 082	3 345
Interest on securities held for trading and available for sale	10 740	20 216
Interest on securitised assets not derecognised	41 881	49 305
Interest on derivatives	20 986	42 470
Interest on debtors and other aplications	13	573
Other interest and similar income	1 562	1 572
	228 318	**273 137**
Interest and similar expense		
Interest on resources		
Of central banks	(1 143)	663
Of other credit institutions	2 769	2 119
Deposits and other resources of customers	10 349	33 282
Debt securities	1 052	5 584
Interest from short selling	522	663
Interest on derivatives	23 293	45 783
Interest on liabilities relating to assets not derecognised on securitised operations	3 584	4 256
Interest on subordinated debt	5 014	547
Other interest and similar expenses	548	1 307
	45 988	**94 204**

4.34. Gross margin on unit links

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Income from financial instruments		
Interest	319	529
Gains and losses on financial instruments	34 092	(46 836)
Gains and losses on capitalisation insurance - unit links	(34 411)	46 307
Management and redemption commission	6 434	7 051
	6 434	**7 051**

4.35. Income from equity instruments

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Conduril	92	92
SIBS	2 788	
Viacer	2 366	1 960
Via Litoral	936	1 663
Others	219	195
	6 401	**3 910**

4.36. Net commission relating to amortised cost

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Commission received relating to amortised cost		
Loans to customers	13 965	13 516
Other operations	634	539
Commission paid relating to amortised cost		
Loans to customers	(4 207)	(3 308)
Other operations	(48)	(189)
	10 344	**10 558**

4.37. Technical result of insurance contracts

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Premiums	91 024	129 751
Income from financial instruments	14 100	24 933
Cost of claims, net of reinsurance	(224 248)	(1 126 567)
Changes in technical provisions, net of reinsurance	133 238	996 612
Participation in results	(6 677)	(11 234)
	7 437	**13 495**

This caption includes the result of capitalization insurance with a discretionary participation feature (IFRS 4). Participation in the results of capitalization insurance is attributed at the end of each year and is calculated in accordance with the technical basis of each product, duly approved by the Insurance and Pension Funds Authority (Note 2.11).

4.38. Net commission income

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Commissions received		
On guarantees provided	6 227	6 858
On commitments to third parties	1 102	1 215
On insurance brokerage services	22 214	22 111
On banking services rendered	95 448	87 875
On operations performed on behalf of third parties	6 989	7 627
Other	263	431
	132 243	**126 117**
Commissions paid		
On guarantees received	28	30
On financial instrument operations	98	61
On banking services rendered by third parties	12 432	12 810
On operations realised by third parties	1 876	2 175
Other	391	279
	14 825	**15 355**
Other income, net		
Refund of expenses	14 848	14 723
Income from banking services	3 129	3 619
Charges similar to fees	(3 499)	(4 150)
	14 478	**14 192**

At June 30, 2017 and 2016 the caption “Refund of expenses” includes 9 917 t. euro and 9 985 t. euro, respectively, regarding the collection of account maintenance costs.

At June 30, 2017 and 2016 commissions received for insurance brokerage services or reinsurance are made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Life insurance		
Housing	10 421	10 193
Consumer	988	1 111
Other	3 164	3 439
	14 573	**14 743**
Non-life insurance		
Housing	2 848	2 763
Consumer	394	470
Other	4 399	4 135
	7 641	**7 368**
	22 214	**22 111**

Remuneration for insurance brokerage services were received fully in cash, and about 98% of the commission relates to insurance brokerage services for Allianz.

4.39. Net income on financial operations

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Gain and loss on operations at fair value		
Foreign exchange gain, net	4 263	4 823
Gain and loss on financial assets held for trading		
Debt instruments	(4 425)	1 197
Equity instruments	38 280	(48 897)
Other securities	(268)	407
Gain and loss on trading derivative instruments	(24 107)	42 058
Gain and loss on other financial assets valued at fair value through profit or loss	13	1
Gain and loss on financial liabilities held for trading	(329)	206
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	(13 386)	29 025
Gain and loss on hedging derivative instruments	13 241	(29 618)
Other gain and loss on financial operations	1 093	169
	14 375	**(629)**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to customers	29	1 229
Gain and loss on financial assets available for sale		
Debt instruments	811	252
Equity instruments	(1)	22 945
Other securities	(63)	29
	776	**24 455**
Interest and financial gain and loss with pensions		
Interest cost	(14 947)	(15 714)
Income on plan assets computed with the discount rate	14 538	17 042
	(409)	**1 328**

The captions “Gain and loss on trading derivative instruments” and “Gain and loss on financial assets held for trading – equity instruments” at June 30, 2017 and 2016 include (15 017) t. euro and 38 370 t. euro, respectively, related to equity swaps contracted with Customers, hedged with shares. The remaining amounts in these captions are related mainly with derivative operations with customers and their respective coverage with the market.

The caption “Other gain and loss on financial operations” at June 30, 2017 and 2016, includes 807 t. euro and (25) t. euro, respectively, relating to gains on the repurchase of financial liabilities on securitization operations.

The gain of 22 945 t. euro in the caption “Gain and loss on financial assets available for sale – Equity instruments” at June 30, 2016, refers to the impact of the public tender offer for the acquisition of 100% of the share capital of Visa Europe Limited by Visa Inc. (Note 4.5.).

4.40. Operating income and expenses

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Operating income		
Gains on tangible assets held for sale	3 159	2 781
Gains on other tangible assets	6 973	2 656
Gains in investments in subsidiaries and associated companies	9 333	
Other operating income	2 547	3 662
	22 012	**9 099**
Operating expenses		
Subscriptions and donations	1 526	1 796
Contributions to the Deposit Guarantee Fund	18	12
Contributions to the Resolution Fund	3 876	3 205
Contributions to the Single Resolution Fund	11 355	14 939
Contribution to the Investor Indemnity System	10	8
Loss on tangible assets held for sale		2 484
Loss on other tangible and intangible assets	6 697	759
Loss in investments in subsidiaries and associated companies	182 121	
Other operating expenses	2 013	2 211
	207 616	**25 414**
Other taxes		
Indirect taxes	1 678	1 505
Direct taxes	3 756	1 731
	5 434	**3 236**

On June 30, 2017, this caption includes the following values regarding the sale of 2% and the deconsolidation of Banco de Fomento Angola (note 4.9):

- gains in investments in subsidiaries and associated companies (9 333 t. euro) correspond to the realized gain (before taxes) on the sale of 2% of BFA shares;
- losses in investment in subsidiaries and associated companies (182 121 t.euro) correspond to the reclassification to net income of the amounts related with BFA that were recognized in the “Revaluation reserves” in the consolidated balance sheet, related with exchange differences originated in the consolidation process by exchanging BFAs financial statements from kwanzas to euros, that were previously recorded in other comprehensive income, in accordance with IAS 21;
- taxes in the amount of 2 740 t. euro relative to the gain recorded in Banco BPI separate accounts.

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the tax in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of the legislation in force, in 2015 Banco BPI changed its accounting policy for the recognition of the periodic contributions to the Deposit Guarantee Fund and Resolution Fund, with the expense being fully recognized upon receipt of the payment notifications for the year which, according to the legal terms, is in the first half year.

In April 2017 and 2016 Banco BPI made contributions to the Resolution Fund in the amount of 3 876 t. euro and 3 205 t. euro, in accordance with the Article 14 of Law 23-A/2015 of March 26, in conjunction with the regime established by Decree-Law 24/2013 of February 19.

In May 2017 and 2016, Banco BPI paid contributions of 11 354 t. euro and 14 937 t. euro, respectively, to the Single Resolution Fund. In 2017 and 2016, the total contribution attributable to Banco BPI amounted to 13 358 t.euro and 17 613 t. euro, respectively, the Bank having decided to constitute an irrevocable commitment for the difference (Note 4.14 and 4.32) which was determined by the Single Resolution Board in accordance with the methodology established in Delegated Resolution (EU) 2015/63 of the Commission of October 21, 2014 and the conditions established in Execution Regulation (EU) 2015/81 of the Council of December 19, 2014.

4.41. Personnel costs

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Remuneration	106 088	114 138
Long service premium (Note 4.25)	3	(26 256)
Final career premium (Note 4.25)	258	5 724
Pension costs (Note 4.26)	(2 587)	(613)
Changes in the conditions of the pension plan - SAMS (Note 4.26)		(22 215)
Other mandatory social costs	27 094	30 255
Early retirements and termination programs		
Early retirements (Note 4.26)	68 605	47 150
Termination	37 753	
Other personnel costs	4 751	4 093
	241 965	**152 276**

The caption “Remuneration” at June 30, 2017 and 2016 includes the following costs relating to remuneration granted to the members of Banco BPI’s Board of Directors:

- 1 415 t. euro and 1 759 t. euro, respectively, relating to remuneration paid in cash; and
- 993 t. euro and 548 t. euro, respectively, relating to prior years’ accrued cost of the share-based remuneration programme (RVA) in accordance with IFRS 2.

4.42. General administrative costs

This caption is made up as follows:

	Jun.30, 17	Jun. 30, 16 Proforma
General administrative costs		
Supplies		
Water, energy and fuel	3 485	4 170
Consumable material	1 089	1 222
Other	262	328
Services		
Rent and leasing	20 036	21 001
Communications and computer costs	16 023	16 412
Travel, lodging and representation	2 438	2 788
Advertising and publishing	4 751	5 101
Maintenance and repairs	6 420	6 524
Insurance	1 408	1 597
Fees	2 426	2 123
Legal expenses	2 716	2 856
Security and cleaning	1 942	2 002
Information services	3 007	2 803
Temporary labour	1 320	1 424
Studies, consultancy and auditing	2 638	7 701
SIBS	7 311	7 508
Other services	8 441	8 115
	85 713	**93 675**

4.43. Income tax

At June 30, 2017 and 2016 Proforma, income tax recognised in the statement of income, as well as the tax burden, measured by the relationship between the tax charge and profit before tax, were as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Current income tax		
For the period	11 579	25 219
Correction of prior years	(24)	(646)
	11 555	**24 573**
Deferred tax		
Recognition and reversal of temporary differences	19 493	(26 776)
Change in tax rate		23
On tax losses carried forward [1]	9 632	13 525
	29 125	**(13 228)**
Contribution over the banking sector	**7 069**	**11 128**
Total tax charged to the statement of income	**47 749**	**22 473**
Net income before income tax[2]	(174 663)	25 261
Tax burden	-27.3%	89.0%

[1] At June 30, 2017, it includes the use of tax losses carried forward amounting to 82 864 t. euro pursuant to Article no. 3 of the Regulatory Decree no. 5/2016 of November 18. This utilization was made in addition to the amount recorded in the closing accounts for 2016 (350 078 t. euros) and only occurred during the 2016 tax return to the authorities (May 2017).

[2] Considering net income of the BPI Group plus income tax and income attributable to non-controlling interests less the earnings of associated companies (not consolidated).

In the first half of 2017 and 2016 Proforma the Bank recorded directly in retained earnings, income tax of 8 435 t. euro and (32 887) t. euro, respectively, resulting from actuarial deviations in pensions for the period, net gain/loss on treasury shares recognized in equity and cancellation of Bank of Portugal Notice 3/95.

Current taxes are calculated based on the nominal tax rates legally in force:

	Jun. 30, 17		Jun. 30, 16 Proforma	
	Net income before income tax [1]	Current tax rate	Net income before income tax	Current tax rate
Companies w ith income tax rate of 21% and Surcharge betw een [1.5% ; 8.5%[	(1 875)	22,9%	24 539	26,0%
Investment funds[2]			722	
	(1 875)	22,9%	25 261	25,2%

[1] Excluding impacts related with BFA sale (2%) and deconsolidation.

[2] Applicable regime under the provisions of article 22 of the EBF.

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax assets are also recognized on tax losses carried forward and tax credits.

Deferred tax assets and liabilities are calculated using the tax rates approved for the periods in which they are expected to reverse.

Reconciliation between the nominal rate of income tax and the tax burden in June 2017 and 2016 Proforma, as well as between the tax cost/income and the product of multiplying the accounting profit by the nominal tax rate are as follows:

	Jun. 30, 17		Jun. 30, 16 Proforma	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		(174 663)		25 261
Impact of the sale of 2% of BFA		(172 788)		
Net income before tax adjusted fo the sale of 2% of BFA		(1 875)		25 261
Income tax computed based on the nominal tax rate	22,9%	(430)	25,2%	6 376
Effect of tax rates applicable to foreign branches	-37,3%	699	0,1%	16
Capital gain and impairment of investments (net)	-48,7%	913	-3,8%	(950)
Capital gain of tangible assets (net)	47,7%	(894)	-3,0%	(749)
Non taxable dividends	76,2%	(1 428)	-0,5%	(126)
Taxable temporary differences on subsidiary and associated companies	-447,6%	8 393	14,3%	3 612
Tax benefits	8,4%	(157)	-1,1%	(283)
Change of the tax regime of provisions [1]	-928,1%	17 401		
Impairment and provision for loans	695,5%	(13 040)	-2,0%	(517)
Non-deductible pension costs	68,9%	(1 292)	1,8%	459
Correction of prior year income taxes	1,3%	(24)	-2,6%	(646)
Extraordinary investment tax credit			4,2%	1 065
Differenctial tax rate on deferred charges [2]			7,0%	1 762
Correction of prior years tax losses carried forw ard	410,7%	(7 701)	-0,3%	(88)
Contribution over the banking sector	-377,0%	7 069	44,1%	11 128
Autonomous taxation	-38,0%	712	3,6%	903
Other non taxable income and expenses	105,7%	(1 982)	2,0%	511
	-439,4%	**8 239**	**89,0%**	**22 473**
Taxes associated w ith the sale (2%) and deconsolidation of BFA		39 510		
	-27,3%	**47 749**	**89,0%**	**22 473**

(1) In June 2017, it corresponds to changes made in the fiscal report for the 2016 fiscal year and result from the application of paragraph 3 of Regulatory Decree No. 5/2016 de 18 de Novembro.

(2) The effective current income tax rate may differ from that used to calculated deferred taxes.

On January 1, 2016, Bank of Portugal Notice No. 5/2015 came into force. This regulation establishes that entities subject to the supervision of Bank of Portugal should prepare their separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). For this purpose, impairment losses for loans are determined and recorded in accordance with IAS 39 - Financial instruments: recognition and measurement, replacing the previous recording of provisions established by the Bank of Portugal Notice 3/95.

Regulatory Decree no. 5/2016 of November 18, introduced a tax regime applicable to the transition to IFRS referred to above. This Decree-Law establishes the following:

(i) For tax purposes for the year 2016, impairment losses for loans may only be accepted as a cost if they do not exceed the limits established by Notice 3/95 as worded on December 31, 2015 and;

(ii) Introduction of a transitional rule that applies specifically to the tax effects regarding the transition above and whose effects refer to January 1, 2016. This transitional rule provides that "With regard to impairment provisions recorded under Notice No. 3/95, and subject to annulment or reduction under Notice No 5/2015, taxable entities may choose the following regime:

- *The positive difference, as of January 1, 2016, between the amount of provisions for impairment losses established under Notice 3/95 and the impairments recorded on January 1, 2016 related to the same loans in accordance with the applicable accounting regulations, is accountable, in the determination of the taxable income for the year 2016, only in the part exceeding the tax losses generated in periods of taxation started on or after January 1, 2012 and not yet used;*

- *The amount that is not considered for the purposes of determining the taxable income under the terms of the previous paragraph is written off to the balance of the tax losses mentioned therein."*

In this context, Regulatory Decree No. 5/2016 contains a transitional rule that established the possibility for the Bank to reduce to the balance of tax losses generated in periods of taxation started on or after January 1, 2012 and not yet used, any positive difference between the amount of provisions recognized under Bank of Portugal Notice 3/95 and the amount of impairment losses recognized under IAS 39 on January, 1 2016.

The Bank decided to apply the aforementioned transitional rule, with a positive difference calculated as of January 1, 2016 between the amount of provisions for impairment losses established under Bank of Portugal Notice 3/95 and the impairments constituted on January, 1 2016 for the same credits in the amount of 432 942 t. euro (350 078 t. euro considered in the 2016 financial statements and an additional 82 864 t. euro on the tax return for the 2016 financial year, as a result of changes in the interpretation of the referred standard), which was not accounted as a positive equity change for tax purposes in 2016, since it was fully deducted from the accumulated losses from previous years at that date (489 993 t. euro) which had been generated in 2013 and 2014. The application of this rule allowed for the annulment of 90 918 t. euro of deferred tax assets regarding tax losses carried forward, under the scope of Banco BPI non-consolidated basis.

In addition, the combination of these legislative changes implied the application of the legal disposition included in article 4 of Law no. 61/2014, of August 25. This disposition establishes a rule that does not allow for the expenses and negative equity changes that generated deferred tax assets guaranteed by the Portuguese State until December 31, 2015 to be subject to a tax deduction that entails the determination of tax loss for the year.

After all the required tax adjustments, in 2016 the final value of taxable losses was 36 325 t. euro, which implied the constitution of deferred tax assets of 7 628 t. euro included in the caption "Previous exercises corrections tax losses" in the map above.

Special Regime Applicable to Deferred Tax Assets (REAID) approved by Law No. 61/2014

In 2014, the Bank adhered to the Special Regime Applicable to Deferred Tax Assets (REAID) approved by Law no. 61/2014, of August 26. The special regime regards to deferred tax assets that result from the non-deduction of expenses and negative equity changes with impairment losses for loans and post-employment or long-term employee benefits. Expenses that were not considered for the determination of taxable income in the period in which they were incurred or recorded and which resulted in the recognition of deferred tax assets for the aforementioned realities are eligible for this regime.

Under the terms of REAID, deduction of losses or equity changes that generated deferred tax assets until December 31, 2015 protected under this regime can only occur up to limit of the taxable income for the year and thus cannot contribute to the tax loss formation, being deducted in the following years for which taxable income is determined, provided the same limit is complied with.

Also according to REAID, the book value of the mentioned deferred tax assets is converted into tax credit when the taxable entity determines a negative net income or enters into bankruptcy/ insolvency. The amount of deferred tax assets to be converted into tax credits corresponds to a ratio between negative net income and shareholders' equity in the same period, excluding net income. In the scenario of the conversion of deferred tax assets into a tax credit, a compensatory scheme is created that provides for the creation of a special reserve in the amount of the tax credit, increased by 10% (may be subject to adjustments) and the simultaneous creation of conversion rights granted to the Portuguese State. The exercise of the conversion rights by the Portuguese State implies an increase of the share capital of the taxable entity by means of the incorporation of the special reserve and the issuance of new shares allocated free of charge to the Portuguese State (the shareholders, at the date of the creation of the conversion rights granted to the Portuguese State have the option to acquire such rights in proportion to their respective shareholdings).

This regime applies to expenses accounted in the tax periods beginning on January 1, 2015 and to deferred tax assets which were recorded in the annual accounts referred to December 31, 2014. However, Law No 23/2016, of August 19, provided for the termination of the application of this regime to deferred tax assets arising from expenses and negative equity changes recognized in the taxation periods after January 1, 2016, safeguarding deferred tax assets accounted for in previous years.

At June 30, 2017 and December 31, 2016, deferred tax assets and liabilities were as follows:

	Jun. 30, 17	**Dec. 31, 16**
Deferred tax		
Assets (Nota 4.13)	443 188	442 707
Liabilities (Nota 4.23)	(60 601)	(18 254)
	382 587	424 453
Recorded by corresponding entry to:		
Retained earnings	332 729	325 206
Other reserves - Actuarial deviations	80 509	107 357
Fair value reserve (Note 4.29)		
Financial instruments available for sale	(1 526)	2 822
Discontinued operations		(5 067)
Net income	(29 125)	(5 865)
	382 587	424 453

In accordance with IAS 12 – Income taxes, the recognition of deferred tax assets requires the probable existence of future taxable income. As such, Banco BPI prepared future taxable income projections to support the deferred tax assets accounted for as at June 30, 2017. These projections were prepared considering the scope of the Capital and Funding Plans defined in the Instruction 18/2015 of the Bank of Portugal, assuming the maintenance of the tax regime of Notice 3/95 of the Bank of Portugal for impairment losses for loans.

As of June 30, 2017, the consolidated balance sheet of BPI Group includes 443 188 t. euros of deferred tax assets, of which:

(i) 228 580 t. euro of deferred tax assets under the Special Regime Applicable to Deferred Tax Assets (REAID), approved by Law 61/2014, of August 26;

(ii) 214 608 t. euro depending on the existence of future taxable income (not included in the special regime) including:

- 97 547 t. euro related to impairment losses for loans and guarantees;
- 9 276 t. euro related to other impairments and taxed provisions;
- 64 230 t. euro related to employee benefits (actuarial deviations, transfer to Social Security, early retirements, final career premium and compensations and other benefits payable under the voluntary termination program, occurred during the semester);
- 20 950 t. euro of tax losses carried forward (19 610 t. euro related to the non-consolidated activity of BBPI). According to Law nº 2/2014, of January 16, the use of tax losses carried forward in future periods cannot exceed 70% of taxable income in each of those periods, having a reportable period of 12 years for these tax losses carried forward.

At June 30, 2017, the breakdown of tax losses carried forward, by date of origin, entity and limit date is as follows:

Date of origin	Entity	Tax losses carried forward	Deferred asset taxes	Number of years available for use	Limit end date
2014	Banco BPI , SA	57 052	11 981	12	2026
2016	Banco BPI , SA	36 325	7 629	12	2028
2016	Banco Português de Investimento, SA	2 779	584	12	2028
2016	BPI Madeira , SGPS	81	17	12	2028
[2012 , 2017]	BPI Moçambique - Soc. Investimentos	2 310	739	5	[2017 , 2022]
		98 547	**20 950**		

Banco BPI made use of 90 918 t.euro of deferred tax assets for tax losses carried forward of 2013 and 2014, within the framework of Regulatory-Decree No. 5/2016 of November 18.

The changes in deferred taxes in the first half of 2017 were as follows:

	Balance at Dec. 31, 16	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 17
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Tax losses	30 582	(9 774)	82	60		20 950
Tax losses carried forward	70 471	(9 373)	15 939			77 038
Taxed provisions and impairment	171 512	(3 866)				167 646
Tax deferral of the impact of the transfer of pensions	19 713	(2)	(756)			18 955
Actuarial deviations	43 872	(4 092)	(295)			39 485
Actuarial deviations after 2011	55 005	(4 918)	17		(9 591)	40 513
Voluntary termination program			11 612			11 612
Early retirements	31 861		10 815			42 676
Long service premium	1 848	(4)	(150)	13		1 707
Taxes over dividends	11 214		6 329			17 543
Financial instruments available for sale	5 568	(18)	737		(2 192)	4 095
Other	1 061	(550)	420	40	(3)	968
	442 707	(32 597)	44 751	113	(11 786)	443 188
Deferred tax liabilities						
Dividends to be distributed by subsidiary and associated companies	(12 024)	(47 920)	6 426	4	(15)	(53 529)
RVA's		(1 103)		1 103		
Financial instruments available for sale	(2 284)			2	(2 160)	(4 442)
Repurchase of liabilities	(1 236)		773			(463)
Other	(2 710)	60	485		(2)	(2 167)
	(18 254)	(48 963)	7 684	1 109	(2 177)	(60 601)
	424 453	**(81 560)**	**52 435**	**1 222**	**(13 963)**	**382 587**

The changes in deferred taxes in the first half of 2016 were as follows:

	Balance at Dec. 31, 15	Corresponding entry to net income		Corresponding entry to reserves and retained		Balance at Jun. 30, 16
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Fiscal losses	103 614	(14 011)	603		(250)	89 956
Taxed provisions and impairment	160 302	894	14 809	1 787	(894)	176 898
Tax defererral of the impact of the transfer of pensions	21 232	(761)				20 471
Actuarial deviations	52 646	(4 387)				48 259
Actuarial deviations after 2011	15 543	(3 258)	(68)	31 325		43 542
Early retirements	24 691	(13)	8 891			33 569
Long service premium	8 913	(5 851)				3 062
Taxes over dividends	8 829		11 214			20 043
Financial instruments available for sale	7 604	25	484	1 099	(2 089)	7 123
Other	8 162	(2 062)	222	548		6 870
	411 536	(29 424)	36 155	34 759	(3 233)	449 793
Deferred tax liabilities						
Dividends to be distributed by subsidiary and associated companie:	(10 005)	(3 603)	4 094	1 168		(8 346)
RVA's		(74)		74		
Financial instruments available for sale	(8 256)	134		5 997	(21)	(2 146)
Repurchase of liabilities	(3 410)		3 515		(1 513)	(1 408)
Other	(6 337)	1 172	1 259	42		(3 864)
	(28 008)	(2 371)	8 868	7 281	(1 534)	(15 764)
	383 528	**(31 795)**	**45 023**	**42 040**	**(4 767)**	**434 029**

The BPI Group does not recognize deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future. Until December 31, 2016 deferred tax liabilities were recorded with respect to the taxation in Angola of dividends to be distributed to Grupo BPI companies, in the following year, originated by Banco de Fomento Angola annual net income.

The BPI Group does not record deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in associated companies, as the participation held by the BPI Group exceeds 10% for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos and Banco de Fomento Angola, in which the deferred tax liabilities relating to taxation in Mozambique and Angola, respectively, of all the distributable profits are recognized.

Profits distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of applying the regime established in article 46 of the Corporation Income Tax Code, which eliminates double taxation of profits distributed.

4.44. Earnings of associated companies (equity method)

This caption is made up as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Banco de Fomento Angola, S.A.	106 671	
Banco Comercial e de Investimentos, S.A.R.L.	5 051	3 627
Companhia de Seguros Allianz Portugal, S.A.	4 260	4 854
Cosec – Companhia de Seguros de Crédito, S.A.	2 062	2 085
InterRisco - Sociedade de Capital de Risco, S.A.	(51)	3
Unicre - Instituição Financeira de Crédito, S.A.	2 718	10 788
	120 711	**21 357**

Net income of Unicre at June 30, 2016 reflects the gain due to the closing of the public tender offer for the acquisition of Visa Europe Limited by Visa Inc. (Note 4.5).

Contribution of the associated companies of Banco BPI to the consolidated comprehensive income is as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Contribution to consolidated net income	120 711	21 357
Income not included in the consolidated statement of income	1 891	(618)
Contribution to consolidated comprehensive income	**122 602**	**20 739**

4.45. Consolidated net income of the BPI Group

Contribution of Banco BPI and subsidiary and associated companies to consolidated net income in the first half of 2017 and 2016 is as follows:

	Jun. 30, 17	Jun. 30, 16 Proforma
Banks		
Banco BPI, S.A.[1]	(12 120)	(9 985)
Banco Português de Investimento, S.A.[1]	(2 237)	(1 288)
Banco de Fomento Angola, S.A.[1]	(115 650)	79 082
Banco Comercial e de Investimentos, S.A.R.L.[1]	4 621	3 319
Banco BPI Cayman, Ltd [1]	4 913	5 290
Asset management		
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	1 729	2 398
BPI - Global Investment Fund Management Company, S.A.	1 020	925
BPI (Suisse), S.A.[1]	1 615	1 050
BPI Alternative Fund: Iberian Equities Long/Short Fund Luxemburgo [1 2]	794	691
BPI Obrigações Mundiais - Fundo de Investimento Aberto de Obrigações [1 2]		111
BPI Strategies, Ltd[1 2]		(122)
Venture capital / development		
BPI Private Equity - Sociedade de Capital de Risco, S.A.[1]	41	(82)
Inter-Risco - Sociedade de Capital de Risco, S.A.	(51)	3
Insurance		
BPI Vida e Pensões - Companhia de Seguros, S.A.[1]	5 947	8 295
Cosec - Companhia de Seguros de Crédito, S.A. [1]	2 062	2 085
Companhia de Seguros Allianz Portugal, S.A. [1]	4 260	4 854
Other		
BPI, Inc	(4)	(4)
BPI Madeira, SGPS, Unipessoal, S.A.[1]	(6)	(478)
BPI Moçambique - Sociedade de Investimento, S.A. [1]	(21)	(274)
BPI Capital Africa [1]	(1 356)	(728)
Unicre - Instituição Financeira de Crédito, S.A.[1]	2 718	10 788
	(101 725)	**105 930**

[1] Adjusted net income.

[2] Participation that ceased being consolidated by the BPI Group as explained in Note 1.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the shareholders of Banco BPI by the weighted average number of ordinary shares outstanding in the period, excluding treasury shares acquired by the Group.

The following table shows the calculation of basic earnings per share:

	Jun. 30, 17	Jun. 30, 16 proforma
Numerator		
Net income attributable to the shareholders of BPI from continuing operations	(101 725)	24 122
Net income attributable to the shareholders of BPI from discontinued operations		81 808
Numerator: Net income attributable to the shareholders of BPI (in thousands of euro)	(101 725)	105 930
Denominator		
Issued ordinary shares (x 1000):		
No. at the beginning of the year	1 456 924	1 456 924
No. at the end of the year	1 456 924	1 456 924
Weighted average number of shares	1 456 924	1 456 924
Treasury shares, weighted average number (x 1000)	1 268	6 155
Denominator: weighted average number of shares, net of treasury shares (x 1000)	1 455 657	1 450 769
Basic earnings per share (in euro)		
Net basic earnings per share from continuing operations	(0.070)	0.017
Net basic earnings per share from discontinued operations	0.000	0.056
Consolidated basic earnings per share (in euro)	**(0.070)**	**0.073**

Diluted earnings per share includes in its calculation the potential dilutive effect on earnings per share of any existing financial instruments, by adjusting the average number of shares and / or the net results.

In the calculation of diluted earnings per share of Banco BPI the following adjustments to the weighted average number of shares were considered:

- Sum of shares (average number) granted to employees subject to a resolution condition under the RVA programme but not yet made available. The ownership of the shares granted, under the RVA programme, is transferred in full at the grant date, but their availability is dependent on the maintenance of the employment relationship with the BPI Group. Therefore for accounting purposes, the shares remain in the portfolio of treasury shares of Banco BPI until their date of delivery, at which time the treasury shares are derecognized.
- Sum of the portfolio of treasury shares allocated to cover the options to purchase shares of Banco BPI granted to employees under the RVA programme. To cover the option plan, BPI has treasury shares portfolios, allocated to each of the series of current options, in order to ensure a number of shares corresponding to the product of delta by the number of options (“delta hedging”). For the purpose of managing the hedging portfolio, the Bank carries out purchase and sale transactions on the stock exchange. In the granting of shares to employees for exercising the options, the Bank uses the portfolio of treasury shares, which are derecognised together with the transfer of ownership, and also make purchases on the stock exchange.

The following table shows the calculation of diluted earnings per share:

	Jun. 30, 17	Jun. 30, 16 proforma
Numerator		
Net income attributable to the shareholders of BPI from continuing operations	(101 725)	24 122
Net income attributable to the shareholders of BPI from discontinued operations		81 808
Numerator: Net income attributable to the shareholders of BPI (in thousands of euro)	(101 725)	105 930
Denominator		
Weighted average number of shares, net of treasury shares (x 1000)	1 455 657	1 450 769
Average weighted ordinary shares with dilutive effect (x 1000):		
Shares granted to employees, under the RVA programme, under resolutive conditions	42	298
Treasury shares allocated to cover the RVA option plan	1 188	5 708
Denominator: weighted average number of shares adjusted (x 1000)	1 456 887	1 456 776
Consolidated diluted earnings per share (in euro)		
Net diluted earnings per share from continuing activities	(0.070)	0.017
Net diluted earnings per share from discontinued activities	0.000	0.056
Consolidated diluted earnings per share (in euro)	**(0.070)**	**0.073**

4.46. Personnel

The average and period-end number of employees[1] in the first half of 2017 and 2016 were as follows:

	Jun. 30, 17		Jun. 30, 16	
	Average for the period	End of period	Average for the period	End of period
Directors[2]	7	7	9	9
Management staff	3 960	4 249	651	653
Other staff	889	553	5 384	5 428
Other employees	737	715	2 574	2 516
	5 593	**5 524**	**8 618**	**8 606**

[1] Personnel of the Group's entities consolidated by the full consolidation method. This includes personnel of the foreign branches of Banco BPI.

[2] This includes the executive directors of Banco BPI and Banco Português do Investimento.

4.47. Financial risks

<u>Fair value</u>

Fair value of financial instruments is determined whenever possible based on the price in an active market. A market is considered to be active and liquid, when it is accessed by equally knowledgeable counterparties and is traded on a regular basis. In the case of financial instruments with no prices in active markets, due to lack of liquidity and absence of regular transactions, valuation methods and techniques to estimate fair value are used.

Financial instruments recorded in the balance sheet at fair value were classified by levels in accordance with the hierarchy of IFRS 13.

Financial instruments recorded in the balance sheet at fair value

<u>Debt instruments and equity instruments</u>

• Level 1– Price in an active market

This category includes, in addition to financial instruments listed on regulated Stock Exchanges, bonds and participating units in harmonized funds, valued based on prices / quotations in active markets, published in trading platforms, taking into account also the liquidity and quality of the prices.

The classification of fair value in level 1 is made automatically by SIVA ("*Sistema Integrado de Valorização de Activos*") whenever the related financial instruments are traded in an active market, considering, for this purpose, that this is the case when:

i. daily prices are given for the financial instruments by at least 6 contributors, at least three of them with firm offers, or there is a multi-contributed price (price formed by several firm offers from contributors available in the market) (active market), or;

ii. such financial instruments have been classified as level 1, in accordance with the rule referred to in the preceding paragraph, in at least 50% of the last 30 calendar days.

For financial instruments that do not have a history of 30 calendar days available in the system, allocation of fair value level will be carried out considering the history available in SIVA.

• Level 2 – Valuation techniques based on market inputs

Financial instruments that have not been traded on an active market or that are valued by reference to valuation techniques based on market data for financial instruments having the same or similar characteristics in accordance with the rules referred to below are considered as level 2.

Level 2 fair value classification is determined automatically by SIVA in accordance with the following rules:

a) Financial instruments are classified daily in Level 2 if they are:

i. Quoted by less than 6 contributors, regardless of the type of price, or;

ii. Valued based on models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates), or;

iii. Valued based on third party indicative purchase prices, based on observable market data, and

iv. Have been classified as level 1 and level 2, in accordance with the rules mentioned above, in at least 50% of the last 30 calendar days.

b) For instruments that do not have a history of 30 calendar days available in the system, allocation of the fair value level will be carried out taking considering the history available in SIVA.

• Level 3 – Valuation techniques using inputs not based on observable market data

Financial assets are classified as Level 3 when they do not meet the criteria to be classified as Level 1 or Level 2, or if their value is the result of inputs not based on observable market data, namely:

a) financial instruments not admitted to trading on a regulated market, which are valued based on valuation models for which there is no generally accepted market consensus as to the inputs to be used, namely:

i. valuation based on Net Asset Value of non-harmonized funds, updated and disclosed by their managing companies;

ii. valuation based on indicative prices disclosed by the entities involved in the issue of certain financial instruments, without an active market; or

iii. valuation based on impairment tests, using indicators of the performance of the underlying operations (degree of protection by subordination of notes held, delinquency rates of the underlying assets, evolution of ratings, among others).

b) financial instruments valued at indicative purchase prices based on theoretical models, disclosed by specialized third parties.

Automatic classification proposed by SIVA relating to the level of fair value is made on the day of measurement, being supervised by a specialized team, in order to ensure that the classification of the fair value level is considered the most appropriate, according to the principles set forth herein.

If a market value is not available and it is not possible to determine fair value reliably, equity instruments are recognized at historical cost and are subject to impairment tests.

Financial derivative instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (mainly stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

• Level 1 – Price in an active market

This category includes futures and options and other financial derivative instruments traded on stock exchanges.

• Level 2 – Valuation techniques based on market inputs

Level 2 includes derivatives, traded on over-the-counter markets, without an optional component (swaps and similar) and that have been contracted with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments for credit risk, to the extent that credit risk is mitigated.

Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

• Level 3 – Valuation techniques using mainly inputs not based on observable market data

Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements or derivatives that have been contracted with counterparties with which the Bank does not have collateralization agreements.

Derivative financial instruments traded in the over-the-counter market, that have been contracted with counterparties with which the Bank does not have collateralization agreements were classified as Level 3 since their credit risk adjustments are estimated mainly by using inputs not based on observable market data – default probability and loss given default. With the exception of the adjustments for credit risk, the estimated fair value of these instruments is calculated in the same way as described for the Level 2 financial instruments derivatives.

The valuation of derivatives with optional elements is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market).The theoretical models used to value derivatives classified in Level 3 are of two types:

(i) For simpler operations (plain vanilla) option and optional elements are valued based on the Black-Scholes models or their derivatives (commonly used models by the market in the valuation of this type of operation). The inputs for these models, price and volatility, are collected from Bloomberg. On June 30, 2017 the values of the unobservable market inputs (implied volatility of the underlying assets) are included in the following ranges by type of underlying asset:

Underlying	Min	Max
Euribor 1 month	89.94%	90.00%
Euribor 3 months	40.37%	135.91%
Euribor 6 months	24.39%	130.94%
Euribor 12 months	47.20%	140.69%
Exchange EUR/USD	6.31%	15.47%

Valuation of the non-optional components is made based on discounted cash flows, using methodology similar to that used for derivatives without an optional component.

The quantity and volume of these types of operations have been declining, in particular those with underlying interest rates.

(ii) For the more exotic options or complex derivatives incorporating optional elements (for which there are no other valuations available) the Bank contracted a specialized entity that performs the valuation based on specific models, constructed using criteria and methodologies generally accepted for this type of operations. Nevertheless, due to the reduction in the Bank's activity in this market, on June 30, 2017 the Bank did not use valuations prepared by this entity.

In accordance with the policy defined by the BPI Group as regards the management of exposure of options, significant open positions are not maintained, the risk being managed mainly through "back-to-back" hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the income statement of the BPI Group, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences the models or assumptions are reviewed.

The Bank includes counterparty credit risk and own credit risk in the calculation of the book value of derivative financial instruments contracted in the over-the-counter market. This methodology includes the following main items:

• derivative financial instruments contracted with counterparties with which the Bank has collateralization agreements are not subject to adjustment for credit risk, to the extent that it is mitigated;

• counterparty credit risk and own credit risk adjustments relating to derivative financial instruments not collateralized are estimated throughout a model, whose parameters are estimated using mainly historical information regarding non-performance, except for operations in which the Bank considers that the credit risk of the counterparty is comparable to the risk of the Portuguese Republic. In these cases, the adjustments for credit risk are estimated based on risk parameters implicit in the spread of Portuguese public debt against the German public debt.

The credit risk adjustments, considered by the Bank in determining the book value of derivative financial instruments contracted in the over-the-counter market, were estimated based on this methodology, except for the cases in which individual impairment losses were recorded. In these cases the adjustments considered by the Bank corresponded the amount of the impairment losses.

When computing the adjustments for counterparty credit risk at June 30, 2017, the following loss given default and probability of default were used:

	Min	Max
Loss given default	37.40%	45.00%
Probability of default	0.09%	22.02%

Note: Operations in default (PD of 100%) were not considered for the calculation of this gap.

When computing adjustments to own credit risk at June 30, 2017, the following losses given default and probabilities of default were used:

	Min	Max
Loss given default	60.00%	60.00%
Probability of default	2.48%	6.14%

Considering that the determination of the assumptions used in the calculation of the adjustments to the credit risk of derivative financial instruments is a significant matter, it will continue to be monitored by the Bank in order to introduce the improvements that are identified based on practical experience in applying these methodologies.

Financial instruments recorded in the balance sheet at amortized cost

The fair value of financial instruments recorded in the balance sheet at amortized cost is determined by BPI Group through valuation techniques.

Fair value may not correspond to the realizable value of these financial instruments in a sale or liquidation scenario, as it was determined for that purpose.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Loans and advances to credit institutions and Resources of other credit institutions were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cash-flows of which were discounted based on the interest rate curve used by the Bank for senior issuances;

- in operations with customers (Loans and advances to customers and Resources of Customers and other debts) the weighted average of the spreads over the reference rates used by the Bank in the previous month for similar operations is considered;

- For bonds issued (Debt securities and Subordinated debt), the Bank considered reference interest rates and spreads available in the market, considering the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used proposals presented to the Bank by other credit institutions, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts.

The reference rates used to calculate the discount factors as at June 30, 2017 are listed in the following table and refer to the interbank market rates:

	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	10 years	30 years
EUR	-0.37%	-0.33%	-0.27%	-0.16%	-0.13%	0.00%	0.27%	0.54%	0.91%	1.53%
GBP	0.26%	0.31%	0.46%	0.68%	0.69%	0.79%	0.99%	1.15%	1.34%	1.61%
USD	1.23%	1.30%	1.45%	1.74%	1.58%	1.71%	1.92%	2.08%	2.25%	2.52%
JPY	-0.01%	0.00%	0.02%	0.12%	0.05%	0.06%	2.87%	3.11%	3.35%	3.59%

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Portuguese Public Debt	0.14%	0.14%	0.32%	0.63%	1.31%	1.84%	2.09%	2.55%	2.81%	3.03%
German Public Debt	-0.65%	-0.57%	-0.52%	-0.38%	-0.22%	-0.11%	0.01%	0.16%	0.31%	0.47%
Spread PT/DE	0.79%	0.71%	0.85%	1.01%	1.54%	1.95%	2.09%	2.39%	2.50%	2.56%

The fair value of “Held to maturity investments” is based on market prices or third party purchase prices, when available. If these are not available, fair value is estimated based on the discounted value of the expected cash flows of principal and interest.

The fair value of spot operations (including Cash and deposits at central banks, Deposits at other credit institutions and Demand deposits included in Resources of customers and other debts) corresponds to their respective book value.

The fair value of financial instruments at June 30, 2017 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments: Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total	Difference	Assets valued at historical cost [1]	Total book value
Assets							
Cash and deposits at Central Banks	983 403		983 403	983 403			983 403
Deposits at other credit institutions	300 027		300 027	300 027			300 027
Financial assets held for trading and at fair value through profit or loss	2 241 237	2 241 237		2 241 237			2 241 237
Financial assets available for sale	3 773 491	3 773 491		3 773 491		5 779	3 779 270
Loans and advances to credit institutions	744 557		745 746 [3]	745 746	1 189		744 557
Loans and advances to customers	22 819 846		21 330 445 [4]	21 330 445	(1 489 401)		22 819 846
Held to maturity investments	14 415		13 398 [5]	13 398	(1 017)		14 415
Trading derivatives [2]	168 494	168 494		168 494			168 494
Hedging derivatives	20 437	20 437		20 437			20 437
	31 065 907	6 203 659	23 373 018	29 576 678	(1 489 229)	5 779	31 071 686
Liabilities							
Resources of central banks	2 145 381		2 146 170 [3]	2 146 170	(789)		2 145 381
Financial liabilities held for trading	4 906	4 906		4 906			4 906
Resources of other credit institutions	1 624 144		1 614 124 [3]	1 614 124	10 020		1 624 144
Resources of customers and other debts	22 335 470		22 331 604 [6]	22 331 604	3 866		22 335 470
Debt securities	268 891		267 622 [3]	267 622	1 269		268 891
Financial liabilities relating to transferred assets	511 425		467 403 [4]	467 403	44 022		511 425
Trading derivatives	180 880	180 880		180 880			180 880
Hedging derivatives	77 964	77 964		77 964			77 964
Technical provisions	1 923 575		1 923 575 [3]	1 923 575			1 923 575
Other subordinated debt and participating bonds	373 832		356 831 [3]	356 831	17 001		373 832
	29 446 468	263 750	29 107 329	29 371 079	75 389		29 446 468
	1 619 439			205 599	(1 413 840)	5 779	1 625 218
Valuation differences in financial assets recognised in revaluation reserves					23 828		
Total					(1 390 012)		

[1] Unlisted securities for which it was not possible to determine fair value on a reliable basis.
[2] This caption is presented in the balance sheet as Financial assets held for trading and at fair value through profit or loss.
[3] Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
[4] Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.
[5] Financial instruments recorded in the balance sheet at amortized cost classified as Level 1 and 3 amounting to 7 736 t. euro and 5 662 t. euro respectively, according to the fair value hierarchy of IFRS 13.
[6] Demand deposits valued at their nominal amount. Term deposits and other resources not payable on demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The fair value of financial instruments at December 31, 2016 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost [1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at Central Banks	876 621		876 621	876 621			876 621
Deposits at other credit institutions	300 190		300 190	300 190			300 190
Financial assets held for trading and at fair value through profit or loss	2 017 992	2 017 992		2 017 992			2 017 992
Financial assets available for sale	3 870 651	3 870 651		3 870 651		5 783	3 876 434
Loans and advances to credit institutions	637 607		637 236 [3]	637 236	(371)		637 607
Loans and advances to customers	22 735 758		21 233 717 [4]	21 233 717	(1 502 041)		22 735 758
Held to maturity investments	16 317		15 237 [5]	15 237	(1 080)		16 317
Trading derivatives [2]	179 921	179 921		179 921			179 921
Hedging derivatives	25 802	25 802		25 802			25 802
	30 660 859	6 094 366	23 063 001	29 157 367	(1 503 492)	5 783	30 666 642
Liabilities							
Resources of central banks	2 000 011		2 001 697 [3]	2 001 697	(1 686)		2 000 011
Resources of other credit institutions	1 096 439		1 084 821 [3]	1 084 821	11 618		1 096 439
Resources of customers and other debts	21 967 681		21 949 689 [6]	21 949 689	17 992		21 967 681
Debt securities	506 770		489 643 [3]	489 643	17 127		506 770
Financial liabilities relating to transferred assets	555 385		508 300 [4]	508 300	47 085		555 385
Trading derivatives	212 713	212 713		212 713			212 713
Hedging derivatives	97 756	97 756		97 756			97 756
Technical provisions	2 048 829		2 048 829 [3]	2 048 829			2 048 829
Other subordinated debt and participating bonds	69 500		62 476 [3]	62 476	7 024		69 500
	28 555 084	310 469	28 145 455	28 455 924	99 160		28 555 084
	2 105 775	5 783 897	(5 082 454)	701 443	(1 404 332)	5 783	2 111 558
Valuation differences in financial assets recognised in revaluation reserves					13 750		
Total					(1 390 582)		

[1] Unlisted securities for which it was not possible to determine fair value on a reliable basis.
[2] This caption is presented in the balance sheet as Financial assets held for trading and at fair value through profit or loss.
[3] Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
[4] Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.
[5] Financial instruments recorded in the balance sheet at amortized cost classified as Level 1, 2 and 3 amounting to 7 695 t. euro, 5 677 t. euro and 1 865 t. euro respectively, according to the fair value hierarchy of IFRS 13.
[6] Demand deposits valued at their nominal amount. Term deposits and other resources not payable on demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The fair value of non-current assets and liabilities held for sale and discontinued operations is not presented in the table above, since the participation in Banco de Fomento Angola was valued at the lower of acquisition cost and fair value less costs of sale, as provided for in IFRS 5.

The fair value of the financial instruments recorded in the balance sheet at June 30, 2017, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (Level 1)	Valuation techniques		Total fair value
		Market data (Level 2)	Models (Level 3)	
Assets				
Financial assets held for trading and at fair value through profit or loss	2 077 286	17 206	146 745	2 241 237
Financial assets available for sale	3 428 511	58 593	286 387	3 773 491
Trading derivatives	62	26 360	142 072	168 494
Hedging derivatives	35	20 402		20 437
	5 505 894	122 561	575 204	6 203 659
Liabilities				
Financial liabilities held for trading	4 906			4 906
Trading derivatives	31	178 252	2 597	180 880
Hedging derivatives		77 964		77 964
	4 937	256 216	2 597	263 750

The fair value of the financial instruments recorded in the balance sheet at December 31, 2016 is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (Level 1)	Valuation techniques		Total fair value
		Market data (Level 2)	Models (Level 3)	
Assets				
Financial assets held for trading and at fair value through profit or loss	1 935 444	20 612	61 936	2 017 992
Financial assets available for sale	3 500 024	5 587	365 040	3 870 651
Trading derivatives	23	15 563	164 335	179 921
Hedging derivatives		25 797	5	25 802
Non-current assets held for sale and discontinued operations		7 313	3 213 768	3 221 081
	5 435 491	74 872	3 805 084	9 315 447
Liabilities				
Trading derivatives	177	206 181	6 355	212 713
Hedging derivatives	26	97 574	156	97 756
Non-current liabilities held for sale and discontinued operations		8 150		8 150
	203	311 905	6 511	318 619

At June 30, 2017 and December 31, 2016, financial assets held for trading and at fair value through profit or loss included in Level 3 correspond essentially to bonds valued through indicative bid prices based on theoretical models or through models developed internally. They also include participating units in a non-harmonized investment fund.

At June 30, 2017 and December 31, 2016, financial assets available for sale included in Level 3 correspond essentially to non-listed shares, investments in private equity, participating units in venture capital funds and bonds valued through models developed in-house.

At June 30, 2017 and December 31, 2016 trading and hedging derivatives included in Level 3 refer mainly to:

- options or swaps negotiated with Customers with an optional component and related hedging with the market;
- embedded options in structured bonds issued by Banco BPI, with remuneration linked to baskets of shares / share indexes, commodities and exchange rates, and operations negotiated with the market to hedge the optional risk of these bonds;
- derivatives contracted in the over-the-counter market with counterparties with which the Bank does not have collaterization agreements.

The book value of financial instruments at the beginning of the reporting period was used for the presentation of transfers between levels.

During the first half of 2017 and 2016, the following securities were transferred from level 2 to level 1 due to an increase in their liquidity in the market, as a result of the increase in the number of contributors to quote the bond with binding offers:

	Net book value	
	Jun. 30, 17	Dec.31, 16
LLOYDS BANK PLC-TV-29.05.2017		802
SAUDACOR-TX.V.R.-03.07.2017	586	
GALP 2013/2018	517	
GALP-ENERGIA SGPS - TV - 08.03.2018	410	
MOTA ENGIL SGPS SA-5.5%-22.04.2019	319	
GALP 2013/2018	1 137	
JOSE DE MELLO SAUDE-TV-09.06.2019	567	
PEPSICO INC-TX.V.R.-13.10.2017	37	
	3 573	802

During 2016, the following securities were transferred from level 1 to level 2 due to the decrease in liquidity of the respective market:

	Net book value
	Dec. 31, 16
COLEP PORTUGAL SA -TV-10.10.2017	1 610
SAUDACOR-TX.V.R.-03.07.2017	1 018
	2 628

For financial instruments recorded at fair value on the balance sheet, the changes between December 31, 2016 and June 30, 2017 in assets and liabilities classified as Level 3, are as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Total
Net book value at December 31, 2016	61 936	365 040	157 980	(151)	584 805
Accrued interest and premiums (amount at December 31, 2016)	(253)	(965)	(8 245)	356	(9 107)
Gain / (loss) recognised in net income					
Net income on financial operations					
Potential gain / (loss)	840	(1 288)	(19 224)	(205)	(19 877)
Effective gain / (loss)	199	(64)	352	(790)	(303)
Impairment losses and other provisions		4 162			4 162
Gain / (loss) recognised in revaluation reserves		(579)			(579)
Foreign exchange					
Purchases	92 519	674			93 193
Sales	(4 251)	(175)	(352)	790	(3 988)
Reimbursements	(584)	(16 913)			(17 497)
Transfers in	1 009				1 009
Transfers out	(4 895)	(53 031)			(57 926)
Accounting reclassificaton		(11 200)			(11 200)
Accrued interest and premiums (amount at June 30, 2017)	225	726	8 964		9 915
Net book value at June 30, 2017	146 745	286 387	139 475		572 607

Note: The effective gain / (loss) on derivatives corresponds to amounts paid / received in the course of early settlement of the operations.

The purchases of assets held for trading include 85 743 t. euro related to bonds purchased by BPI Vida.

The reimbursements of assets available for sale include (11 244) t. euro related to venture capital funds.

The transfers into financial assets held for trading and at fair value through profit or loss correspond to the Saudacor 2017-2019 issue, transferred from level 2 as there has been a reduction in liquidity in its market.

The transfers out of assets held for trading and at fair value through profit or loss correspond to the issues of Media Capital 2014-2019, Daimler Finance NA LLC-TV-30.10.2019, Semapa 2014/2020 and OTRV November 2021, due to the liquidity increase in their market.

The transfers out of financial assets available for sale corresponds to the C8 Capital SPV issue, transferred to level 2 as there has been an increase in liquidity in its market.

Net income on financial operations – potential gain/(loss) on trading derivatives correspond mainly to the change in fair value of operations contracted with customers, coverage of which is carried out with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments relating to credit risk and are classified at level 2.

For financial instruments recorded at fair value on the balance sheet, the changes between December 31, 2015 and December 31, 2016 in assets and liabilities classified in Level 3, are as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Total
Net book value at December 31, 2015	582 342	3 136 248	175 563	31 086	3 925 239
Accrued interest and premiums (amount at December 31, 2015)	(125)	(645)	(10 455)	1 302	(9 923)
Gain / (loss) recognised in net income					
Net income on financial operations					
Potential gain / (loss)	(767)	732	(15 373)	(32 183)	(47 591)
Effective gain / (loss)	704	(373)	11 462	332	12 125
Impairment losses and other provisions		(5 195)			(5 195)
Gain / (loss) recognised in revaluation reserves		(1 962)			(1 962)
Foreign exchange	17 204	(233 092)			(215 888)
Purchases	2 688 553	46 465			2 735 018
Sales	(1 402 812)	(1 201 500)	(11 462)	(332)	(2 616 106)
Reimbursements	(10 509)	(30 441)			(40 950)
Transfers in	2 759	51 943			54 702
Transfers out		(3)			(3)
Transfers to non-current assets held for sale and discontinued operations (Note 4.9)	(1 815 666)	(1 398 102)			(3 213 768)
Accrued interest and premiums (amount at December 31, 2016)	253	965	8 245	(356)	9 107
Net book value at December 31, 2016	61 936	365 040	157 980	(151)	584 805

Note: The effective gain / (loss) on derivatives corresponds to amounts paid / received in the course of early settlement of the operations.

The purchase of financial assets held for trading and at fair value through profit or loss and financial assets available for sale corresponds mainly to public debt securities of Angola and of Banco Nacional de Angola through Banco de Fomento Angola.

The transfers of other levels of financial assets available for sale corresponds to the C8 Capital SPV issue, transferred from level 2 as there has been a reduction in liquidity in its market.

At December 31, 2016, financial assets held for trading and at fair value through profit or loss and available-for-sale financial assets regarding BFA and included in level 3 were reclassified to "Non-current assets held for sale and operations in discontinued operations" (Note 4.9), under the classification of BFA's operations as discontinued operations in accordance with the requirements of IFRS 5 - Non-current assets held for sale and discontinued operations.

Net income on financial operations – potential gain/(loss) on trading derivatives correspond mainly to the change in fair value of operations contracted with customers, coverage of which is carried out with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments relating to credit risk and are classified at level 2.

Derecognition of financial assets

In the first half of 2017 and in 2016 no financial instruments for which it was not possible to reliably determine their fair value were derecognised and so there was no impact on net income for the period arising from this.

Reclassification of financial assets

The BPI Group reclassified bonds from Financial assets held for trading to Loans and advances to customers (Note 4.7) and held to maturity investments (Note 4.8) and from Financial assets available for sale (Note 4.5) to Loans and advances to customers (Note 4.7), as follows:

	Jun. 30, 17			Dec. 31, 16			
	Book value on reclassification date	Book value at Jun. 30, 17	Fair value at Jun. 30, 17	Book value on reclassification date	Book value at Dec. 31, 16	Fair value at Dec. 31, 16	Effective interest rate on reclassification date
Reclassification of bonds in 2008							
Financial assets held for trading	(24 308)			(24 448)			
Loans represented by securities	11 393			11 393			6.37%
Held to maturity investments	12 915	14 416	13 383	13 055	14 416	13 371	6.29%
Reclassification of bonds in 2009							
Financial assets held for trading	(111)			(979)			
Loans represented by securities	111	158	185	131	181	215	5.34%
Held to maturity investments				848	1 902	1 866	5.98%
Reclassification of bonds in 2013							
Financial assets available for sale	(4 093)			(4 093)			
Loans represented by securities	4 093	4 984	5 298	4 093	5 199	3 928	1.94%
		19 558	18 866		21 698	19 380	

In 2009 and 2008, in the context of the lack of liquidity in the bond market, the valuation prices that can be obtained for these securities did not reflect the prices on an active market traded on a regular basis. Therefore, the BPI Group decided to reclassify these bonds from financial assets held for trading to loans and advances to customers and held to maturity investments.

In 2013 a security recorded in the financial assets available for sale portfolio was reclassified to the loans to customers portfolio as, due to the lack of liquidity, its valuation did not reflect the price on an active market with regular transactions.

For purposes of determining the effective interest rate of the reclassified assets at their reclassification date, the BPI Group estimated that it would recover all future cash flows relating to the reclassified securities.

After the reclassification date, the gain / (loss) relating to fair value changes of these securities not recognised in the statement of income in the first half of 2017 and in 2016 and other gain / (loss) recognised in reserves and in the statement of income for these periods for securities reclassified from financial assets held for trading, were as follows:

	Jun. 30, 17			Dec. 31, 16		
	Gain/ (loss) associated with fair value changes not recognised in the statement of income	Other gain / (loss) recognised in:		Gain/ (loss) associated with fair value changes not recognised in the statement of income	Other gain / (loss) recognised in:	
		Reserves	Statement of income		Reserves	Statement of income
Loans represented by securities	(7)		130	(420)		257
Held-to-maturity investments	27		4	152		34
	20		133	(268)		291

The amounts of gain / (loss) relating to fair value changes not recognised in the statement of income correspond to gain / (loss) that would affect net income if the bonds had remained in the “Financial assets held for trading” portfolio. Part of these amounts would be offset by opposite results under the caption “Technical Provisions”, namely in the case of gain / (loss) on securities allocated to insurance portfolios with profit participation.

The amounts presented in other gain / (loss) recognised in the statement of income include interest, premiums / discounts and other expenses. The amounts presented in other gain / (loss) recognised in reserves correspond to the fair value changes of financial assets available for sale after the reclassification date.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors’ Report, presented together with the notes to Banco BPI’s financial statements, also includes a section relating to “Risk management”, which contains additional information about the nature and extent of the BPI Group’s financial risks.

Exposure to sovereign debt

The BPI Group's exposure to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at June 30, 2017, excluding the insurance capitalization portfolios of BPI Vida e Pensões, was as follows:

BPI Group excluding insurance capitalization portfolios	Nominal Value	Net book value / fair value	Net gain/ (loss) on securities	Hedge accounting effect	Impairment recognized
Held for trading and at fair value through profit or loss	**32 274**	**32 842**	**194**		
Portugal	32 274	32 842	194		
Available for sale	**2 249 500**	**2 279 358**	**23 600**	**(21 779)**	
Portugal	2 249 500	2 279 358	23 600	(21 779)	
Total exposure	**2 281 774**	**2 312 200**	**23 794**	**(21 779)**	

The net book value presented above corresponds to the fair value. Fair value was determined based on prices in international markets, the unrealised gains / (losses) and hedge accounting effect being reflected in specific reserve captions or in the statement of income, depending on whether the securities are classified in the available for sale securities portfolio or in the held for trading securities portfolio, respectively. Banco BPI considers that at June 30, 2017 there was no objective evidence of impairment.

At June 30, 2017 the BPI Group had no exposure to Greek sovereign debt. The BPI Group has in the financial assets available for sale portfolio, KION MORTGAGE Class A bonds (securitisation of mortgage loans originated by the Greek Millennium bank) in the amount of 39 t. euro (Note 4.5).

The BPI Group's exposure, excluding the insurance capitalisation portfolios of BPI Vida e Pensões, to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at June 30, 2017 is as follows, by maturity date:

Maturity	2017	2018 a 2021	> 2022	Total
Portugal	1 043 637	1 265 716	2 847	2 312 200
	1 043 637	**1 265 716**	**2 847**	**2 312 200**

The ratings of Portugal are the following:

	Jun. 30, 17			Dec. 31, 16		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BB+	Ba1	BB+	BB+	Ba1	BB+

In addition, at June 30, 2017, some insurance capitalization portfolios of BPI Vida e Pensões, fully consolidated in the financial statements of the BPI Group, held Portuguese sovereign debt bonds.

Insurance capitalization portfolios	Nominal Value	Net book value	Market value	Impairment
Held for trading and at fair value through profit or loss	**131 113**	**133 066**	**133 066**	
Portugal	131 113	133 066	133 066	
Loans and other receivables	**50 000**	**50 000**		
Portugal	50 000	50 000		
Total exposure	**181 113**	**183 066**	**133 066**	

Exposure of the insurance capitalization portfolios of BPI Vida e Pensões to the sovereign debt of Portugal, at June 30, 2017 is made up as follows, by maturity date:

Maturity	2017	2018 a 2021	> 2022	Total
Portugal	116 274	66 476	316	183 066
	116 274	**66 476**	**316**	**183 066**

Credit risk

Maximum exposure to credit risk

Credit risk is one of the most significant risks of the BPI Group's operations. More information about this risk, particularly about the management process for the various segments of credit, can be found in the section "Risk Management" in the Directors' Report.

Maximum exposure to credit risk at June 30, 2017, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	300 027		300 027
Financial assets held for trading and at fair value through profit or loss	2 241 237		2 241 237
Financial assets available for sale	3 882 030	(102 760)	3 779 270
Loans and advances to credit institutions	744 557		744 557
Loans and advances to customers	23 493 954	(674 108)	22 819 846
Held to maturity investments	14 415		14 415
Derivatives			
Hedging derivatives	20 437		20 437
Trading derivatives[1]	168 494		168 494
	30 865 151	(776 868)	30 088 283
Off balance sheet items			
Guarantees provided	1 245 023	(19 176)	1 225 847
Irrevocable credit lines	473		473
Underwriting of commercial paper	411 340	(1 382)	409 958
	1 656 836	(20 558)	1 636 278
	32 521 987	(797 426)	31 724 561

[1] This caption is presented in the balance sheet as financial assets held for trading and at fair value through profit or loss.

Maximum exposure to credit risk at December 31, 2016, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	300 190		300 190
Financial assets held for trading and at fair value through profit or loss	2 017 992		2 017 992
Financial assets available for sale	3 983 429	(106 995)	3 876 434
Loans and advances to credit institutions	637 607		637 607
Loans and advances to customers	23 430 958	(695 200)	22 735 758
Held to maturity investments	16 317		16 317
Derivatives			
Hedging derivatives	25 802		25 802
Trading derivatives[1]	179 921		179 921
	30 592 216	(802 195)	29 790 021
Off balance sheet items			
Guarantees provided	1 294 856	(21 194)	1 273 662
Irrevocable credit lines	1 356	(1)	1 355
Underwriting of commercial paper	409 638	(1 278)	408 360
	1 705 850	(22 473)	1 683 377
	32 298 066	(824 668)	31 473 398

[1] This caption is presented in the balance sheet as financial assets held for trading and at fair value through profit or loss.

Breakdown of overdue loans

Overdue loans and interest at June 30, 2017, by non performing classes, are as follows:

	Non performing classes					
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	Total
Loans and advances to customers						
Subject to individual assessment						
Overdue loans and interest		2 150	10 950	175 802	83 354	272 256
Impairment		(1 475)	(5 420)	(112 730)	(47 069)	(166 694)
		675	5 530	63 072	36 285	105 562
Subject to collective assessment						
Overdue loans and interest	15	3 596	24 601	199 665	154 540	382 417
Impairment	(4)	(1 056)	(9 620)	(90 949)	(100 770)	(202 399)
	11	2 540	14 981	108 716	53 770	180 018

In addition, at June 30, 2017 collective impairment of 305 015 t. euro is recorded for performing loans to customers and loans and advances to credit institutions.

Overdue loans and interest at December 31, 2016, by non performing classes, are as follows:

	Non performing classes					
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	Total
Loans and advances to customers						
Subject to individual assessment						
Overdue loans and interest		967	41 636	196 438	59 750	298 791
Impairment		(546)	(31 945)	(103 869)	(39 181)	(175 541)
		421	9 691	92 569	20 569	123 250
Subject to collective assessment						
Overdue loans and interest	20	4 566	25 392	221 697	140 360	392 035
Impairment	(1)	(1 150)	(8 971)	(102 057)	(91 701)	(203 880)
	19	3 416	16 421	119 640	48 659	188 155
Non-current assets held for sale and discontinued operations						
Overdue loans and interest		6 932	12 711	25 155	17 973	62 771
Impairment		(5 221)	(11 679)	(18 629)	(10 550)	(46 079)
		1 711	1 032	6 526	7 423	16 692

In addition, at December 31, 2016 collective impairment of 315 779 t. euro is recorded for performing loans to customers and loans and advances to credit institutions. BFA recognized impairment for loans to regular customers amounting to 30 721 t. euro.

Collateral

Banco BPI receives, among others, the following collateral in its loan granting business:

- Housing mortgages;
- Mortgage of buildings and land;
- Deposit of assets;
- Pledge of securities;
- Guarantees provided by other credit institutions.

The fair value of collateral received is determined based on market value considering its nature. For example, property received in guarantee is valued by external appraisers or by Banco BPI’s units using methods considered appropriate.

The coverage of overdue loans by collateral received at June 30, 2017 was as follows:

Coverage	Loans with default			Collateral [1]		Impairment [3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral [2]	
>=100%	122 113	172 275	294 388	290 877	3 511	94 146
>=75% and <100%	47 063	111 621	158 684	137 321	4 973	80 330
>=50% and <75%	1 497	53 929	55 426	34 155	1 590	33 912
>=25% and <50%	1 126	20 827	21 953	8 719	617	15 682
>=0 and <25%	32 591	7 705	40 296	622	1 263	16 427
Without collateral	64 702	288 316	353 018			209 507
Total	**269 092**	**654 673**	**923 765**	**471 694**	**11 954**	**450 004**

[1] The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at June 30, 2017.

[2] Other collateral includes pledged deposits and securities.

[3] For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is lower than market value. The amount of impairment shown includes 80 911 t. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at June 30, 2017 was as follows:

Loans with impairment		Collateral [1]		Impairment [3]
Coverage	Performing amount	Mortgages	Other Collateral [2]	
Loans not represented by securities				
>=100%	77 759	71 360	6 399	12 983
>=75% and <100%	4 325	4 226		855
>=50% and <75%	1 257	168	640	308
>=25% and <50%	6 929	2 781		2 732
>=0 and <25%	84 272	3 068	5 616	16 714
Without collateral	115 506			48 302
	290 048	81 603	12 655	81 894
Guarantees provided				
>=100%	8 803	4 708	4 095	910
>=75% and <100%	60		54	3
>=50% and <75%	17		10	17
>=25% and <50%	2 127	602		708
>=0 and <25%	5 403			270
Without collateral	72 835			12 054
	89 245	5 310	4 159	13 962
	379 293	**86 913**	**16 814**	**95 856**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at June 30, 2017.

[2] Other collateral includes pledged deposits and securities.

[3] For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is lower than market value.

At June 30, 2017 the fair value of the underlying collateral of the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Fair value of the collateral	Corporate				Construction and CRE				Housing			
	Properties		Other collateral [1]		Properties		Other collateral [1]		Properties		Other collateral [1]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	564	95 809	1 827	74 320	1 711	229 028	3 662	87 413	148 473	21 108 145	2 897	92 832
≥ 0.5 M€ and < 1 M€	152	106 531	56	37 797	132	91 390	39	25 420	1 117	708 459	10	6 349
≥ 1 M€ and < 5 M€	259	531 783	87	186 451	116	228 021	25	48 312	94	132 725	4	6 210
≥ 5 M€ and < 10 M€	51	348 049	20	134 111	7	47 282	1	5 150	1	5 533		
≥ 10 M€ and < 20 M€	23	288 907	5	74 567	3	35 108	1	19 614				
≥ 20 M€ and < 50 M€	5	109 852	5	180 915	2	44 085						
≥ 50 M€			2	103 853	5	434 886						
Total	**1 054**	**1 480 931**	**2 002**	**792 014**	**1 976**	**1 109 800**	**3 728**	**185 909**	**149 685**	**21 954 862**	**2 911**	**105 391**

[1] Includes financial collaterals (shares, bonds, deposits) and other items.

At June 30, 2017 the loan-to-value ratio (LTV) for the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Segment / Loan-to-value ratio	Number of properties	Without signs of impairment	With signs of impairment	Default	Impairment
Corporate					
Without collateral		4 014 455	71 159	114 866	114 409
< 60%	650	367 880	15 199	23 872	23 425
≥ 60% and <80%	163	99 644	16 975	34 632	14 139
≥ 80% and <100%	95	102 755	211	2 704	2 011
≥ 100%	146	762 668	46 137	94 059	92 539
Construction and CRE					
Without collateral		313 990	13 958	41 689	41 322
< 60%	1 399	167 657	28 648	30 780	13 574
≥ 60% and <80%	267	66 906	748	43 769	27 788
≥ 80% and <100%	108	53 633	1 367	2 272	1 813
≥ 100%	202	137 101	4 256	15 034	12 261
Housing					
Without collateral		19 058	211	12 456	9 544
< 60%	83 507	4 163 852	16 074	93 229	26 219
≥ 60% and <80%	38 958	3 689 750	15 001	105 505	39 926
≥ 80% and <100%	24 489	2 467 410	11 324	154 994	61 464
≥ 100%	2 731	172 737	2 108	145 613	66 469
	152 715	16 599 496	243 376	915 474	546 903

The coverage of overdue loans by collateral received at December 31, 2016 was as follows:

Coverage	Loans with default			Collateral [1]		Impairment [3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral [2]	
>=100%	101 262	166 985	287 798	265 759	2 489	86 182
>=75% and <100%	53 339	128 630	208 447	155 450	6 192	87 572
>=50% and <75%	747	60 438	61 055	38 737	1 434	36 370
>=25% and <50%	814	14 949	20 135	6 022	228	10 207
>=0 and <25%	31 359	5 982	46 876	402	1 274	15 279
Without collateral	52 291	313 842	558 263			218 913
Total	**239 812**	**690 826**	**1 182 574**	**466 370**	**11 617**	**454 523**

[1] The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at December 31, 2016.

[2] Other collateral includes pledged deposits and securities.

[3] For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is lower than market value. The amount of impairment shown includes 75 102 t. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at December 31, 2016 was as follows:

Loans with impairment		Collateral[1]		
Coverage	Performing loans	Mortgages	Other collateral [2]	Impairment [3]
Loans not represented by securities				
>=100%	107 328	90 595	16 733	14 661
>=75% and <100%	8 791	7 080	204	5 530
>=50% and <75%	2 937	1 265	467	840
>=25% and <50%	20 780	4 875	2 125	8 963
>=0 and <25%	64 209	153	4 359	10 128
Without collateral	119 650			50 498
	323 695	103 968	23 888	90 620
Loans represented by securities				
Without collateral				
Guarantees provided				
>=100%	15 042	10 673	4 369	1 134
>=75% and <100%	60		54	3
>=25% and <50%	2 206	602	20	412
Without collateral	91 282			14 727
	108 590	11 275	4 443	16 276
	432 285	**115 243**	**28 331**	**106 896**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at December 31, 2016.

[2] Other collateral includes pledged deposits and securities.

[3] For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is lower than market value.

At December 31, 2016 the fair value of the underlying collateral of the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

	Corporate				Construction and CRE				Housing			
Fair value of the collateral	**Properties**		**Other collateral [1]**		**Properties**		**Other collateral [1]**		**Properties**		**Other collateral [1]**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
< 0.5 M€	641	108 734	1 770	84 578	1 689	216 258	3 741	69 043	147 879	20 395 799	3 285	90 168
≥ 0.5 M€ and < 1 M€	158	111 153	69	46 735	116	79 417	19	11 676	977	618 951	9	5 963
≥ 1 M€ and < 5 M€	254	522 708	90	187 287	98	179 672	13	21 599	78	103 457	2	3 000
≥ 5 M€ and < 10 M€	49	340 131	23	156 851	5	30 580	1	5 150	2	11 463		
≥ 10 M€ and < 20 M€	22	285 180	7	105 537	2	22 994						
≥ 20 M€ and < 50 M€	7	173 918	7	229 570	2	44 085						
≥ 50 M€	1	62 873	3	287 787	4	372 014						
Total	**1 132**	**1 604 697**	**1 969**	**1 098 345**	**1 916**	**945 019**	**3 774**	**107 468**	**148 936**	**21 129 670**	**3 296**	**99 131**

[1] Includes financial collaterals (shares, bonds, deposits) and other items.

At December 31, 2016 the loan-to-value ratio (LTV) for the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Segment / Loan-to-value ratio	Number of properties	Without signs of impairment	With signs of impairment	Default	Impairment
Corporate					
Without collateral		3 771 353	95 600	118 408	129 478
< 60%	721	430 412	12 333	26 744	19 999
≥ 60% and <80%	162	163 001	19 783	21 093	13 712
≥ 80% and <100%	60	96 608	3 567	3 119	2 059
≥ 100%	189	962 525	63 963	101 589	94 929
Construction and CRE					
Without collateral		302 144	2 354	38 522	34 106
< 60%	1 354	115 334	29 933	29 543	12 691
≥ 60% and <80%	277	43 395	273	44 401	25 540
≥ 80% and <100%	96	59 448	1 021	3 529	2 161
≥ 100%	189	65 775	4 178	26 129	16 400
Housing					
Without collateral		18 843	56	12 038	8 994
< 60%	79 499	3 871 666	10 441	85 309	24 558
≥ 60% and <80%	36 447	3 373 917	9 585	95 197	35 090
≥ 80% and <100%	28 542	2 917 038	10 995	162 345	65 472
≥ 100%	4 448	339 568	3 273	173 942	77 451
	151 984	16 531 026	267 355	941 908	562 641

Credit risk quality (rating)

This section presents information concerning the quality of the credit risk of the BPI Group's main financial assets, excluding derivatives which are analysed in detail in Note 4.4. In the case of financial assets with ratings assigned by international rating agencies (Moody, Standard & Poor and Fitch) the rules set in the prudential regulations issued by the Bank of Portugal were followed, selecting the second best in the case of different external ratings for the same instrument. When no specific external ratings were found, Banco BPI used external ratings assigned to the issuer for instruments with the same degree of subordination. In the case of local authorities, banks and other similar institutions, the ratings used are based on the external ratings assigned to the State where the entity has its headquarters. External rating is an important element to consider in the management of positions, especially in security portfolios, and is also used for calculating weights used to determine prudential capital by the standard method, in accordance with the regulations issued by the Bank of Portugal.

Loan exposures without external ratings were distributed by quality levels (project finance), rating classes (for company and entrepreneurs and business exposures), or by scorings (private customer exposure). External and internal ratings, where they exist, are an indicator of increasing importance to the BPI Group's internal management of loans, being used by the teams responsible for monitoring customers in order to inform the decisions regarding new loans or the situation of existing exposure. This internal classification does not include all the Group's exposure, namely it excludes sovereign exposures or exposure to other banks, in which case external ratings are used and the loans granted locally by Banco de Fomento Angola which uses its own methodologies.

Actual internal ratings and scorings include ten classes for regular operations, from E01/N01/01 (less probability of default) to E10/N10/10 (more probability of default); two classes (ED1/ND1/D01 and ED2/ND2/D02) for "incidents" (delays in payment of less than 60 and 90 days, respectively) and finally one class for default (ED3/ND3/D03), when delay in payment of a given amount by a counterparty exceeds 90 days.

Project finance operations have a separate internal classification from other loan operations due to their specific nature, so that at any moment the quality of the credit risk can be determined (from Weak to Strong).

Renegotiated operations are kept at least at the same risk level as that in which they were classified in the month preceding the renegotiation. The reclassification to a lower level of risk occurs only if there is a regular and significant repayment of the operation, payment of accrued interest in arrears, or based on the quality and value of new collateral provided in the renegotiated operation. Gain or income resulting from the renegotiation is recorded when effectively received.

Deposits and loans and advances to credit institutions, by ratings, at June 30, 2017 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits and loans and advances to credit institutions	External rating	AAA to AA-	134 626		134 626
		A+ to A-	273 408		273 408
		BBB+ to BBB-	97 135		97 135
		BB+ to BB-	247 503		247 503
		B+ to B-	37 557		37 557
		< B-	3 487		3 487
	NR	NR	186 377		186 377
			980 093		980 093

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans and advances to customers, by ratings, at June 30, 2017 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loands and advances to customers	External rating	AAA to AA-	27 037		27 037
		A+ to A-	61 557	749	60 808
		BBB+ to BBB-	295 610	4	295 606
		BB+ to BB-	1 294 510	1 311	1 293 199
		B+ to B-	188 232		188 232
		< B-	139		139
	Project Finance rating	Strong	95 882	575	95 307
		Good	1 047 475	8 506	1 038 969
		Satisfactory	151 716	1 186	150 530
		Weak	20 476	1 024	19 452
		Default	133 713	46 314	87 399
	Corporate Rating	E01 to E03	910 477	4 104	906 373
		E04 to E06	2 389 537	13 313	2 376 224
		E07 to E10	959 462	12 442	947 020
		ED1 to ED3	445 143	224 857	220 286
	Entrepreneurs and Business Rating	N01 to N03	27 736	141	27 595
		N04 to N06	453 641	2 327	451 314
		N07 to N10	595 535	5 615	589 920
		ND1 to ND3	161 560	84 461	77 099
	Scoring	01 to 03	7 694 014	7 467	7 686 547
		04 to 06	2 753 069	5 941	2 747 128
		07 to 10	823 429	19 692	803 737
		D01 to D03	761 965	203 688	558 277
	NR	NR	2 154 085	30 391	2 123 694
			23 446 000	674 108	22 771 892

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The securities portfolio, by ratings, at June 30, 2017 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	22 769		22 769
		A+ to A-	191 771		191 771
		BBB+ to BBB-	1 859 126		1 859 126
		BB+ to BB-	2 462 959	396	2 462 563
		B+ to B-	67 021		67 021
	Internal rating	E01 to E03	27 369		27 369
		E04 to E06	186		186
		E07 to E10	811		811
		ED1 to ED3			
	NR	NR	1 505 655	102 364	1 403 291
			6 137 667	102 760	6 034 907

Deposits and loans and advances to credit institutions, by ratings, at December 31, 2016 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	173 022		173 022
		A+ to A-	239 938		239 938
		BBB+ to BBB-	207 114		207 114
		BB+ to BB-	188 984		188 984
		B+ to B-	259		259
		< B-	9 090		9 090
	NR	NR	53 649		53 649
			872 056		872 056

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not includes cheques for collection.

Loans and advances to customers, by ratings, at December 31, 2016 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans and advances to customers	External Rating	AAA to AA-	24 262		24 262
		A+ to A-	65 314	716	64 598
		BBB+ to BBB-	335 999		335 999
		BB+ to BB-	1 231 657	844	1 230 813
		B+ to B-	198 328		198 328
	Project Finance rating	Strong	159 530	2 824	156 706
		Good	915 376	7 904	907 472
		Satisfactory	246 915	3 061	243 854
		Default	162 090	48 142	113 948
	Corporate Rating	E01 to E03	814 902	4 531	810 371
		E04 to E06	2 276 956	11 886	2 265 070
		E07 to E10	1 038 496	14 624	1 023 872
		ED1 to ED3	493 866	231 762	262 104
	Entrepreneurs and Business Rating	N01 to N03	28 697	120	28 577
		N04 to N06	442 306	2 348	439 958
		N07 to N10	595 680	5 033	590 647
		ND1 to ND3	184 098	86 021	98 077
	Scoring	01 to 03	7 769 164	7 840	7 761 324
		04 to 06	2 661 524	5 960	2 655 564
		07 to 10	755 001	19 723	735 278
		D01 to D03	817 377	213 374	604 003
	NR	NR	2 157 076	28 487	2 128 589
			23 374 614	695 200	22 679 414

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The securities portfolio, by ratings, at December 31, 2016 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	305 417		305 417
		A+ to A-	126 569		126 569
		BBB+ to BBB-	1 762 051		1 762 051
		BB+ to BB-	2 434 150	367	2 433 783
		B+ to B-	71 660	29	71 631
		< B-	41		41
	Internal rating	E01 to E03	2 454		2 454
		E04 to E06	27 168		27 168
		E07 to E10	734		734
		ED1 to ED3	24		24
	NR	NR	1 287 453	106 599	1 180 854
			6 017 721	106 995	5 910 726

At December 31, 2016, the composition of BFA's customer credit ratings, classified as Non-current assets held for sale and discontinued operations, was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans and advances to customers	Regulation 11/2014 of Nacional Bank of Angola	Level A	510 722		510 722
		Level B	704 266	8 091	696 175
		Level C	16 944	807	16 137
		Level D	3 672	658	3 014
		Level E	13 078	3 685	9 393
		Level F	24 877	16 119	8 758
		Level G	47 440	47 440	
			1 320 999	76 800	1 244 199

Note: The gross exposure corresponds to the nominal value adjusted for corrections of value.

Restructured loans

At June 30, 2017 and at December 31, 2016 the restructured loan operations were identified in accordance with Bank of Portugal Instruction 32/2013 (which replaces Instruction 18/2012) which defines restructured loans due to financial difficulties of the customer.

In accordance with this Instruction, institutions must identify and mark in their information systems, loan contracts with customers in situations of financial difficulty, whenever there are changes to the terms and conditions of the contracts (namely, extension of the repayment term, introduction of grace periods, capitalization of interest, reduction of interest rates, waiver of interest or capital), or the institution agrees to grant new credit facilities for total or partial payment of the existing debt service, and for this purpose include the words "restructured loans due to financial difficulty of the customer."

A customer is considered to be in a position of financial difficulty when it has failed to fulfil any of its financial obligations to the institution or if it is foreseeable that this will occur, given the information available.

The existence of restructured loans has a direct impact on the rating models of the Bank, affecting their rating notation for at least 3 years after the loan restructuring.

The unmarking of restructured loans due to customers' financial difficulties can only be made after a minimum period of two years from the date of their restructuring, provided that the following conditions are met cumulatively:

a) regular payment of the instalments of principal during this period, of an accumulated amount equivalent to at least half of the amount of principal that would be due if the payment plan of constant instalments was applied. In the case of renewable credit operations there must be a reduction of their utilisation to an average level of less than 70% of the limit that was authorised by the institution at the time of their restructuring, during a period of three months;

b) non-existence of any overdue instalment of principal or interest, for a period of more than 30 days, for any loan operation with the customer;

c) the customer not having resorted to any debt restructuring mechanism in the period. Should a new restructuring / renegotiation process take place due to financial difficulties, the terms are restarted.

The following restructured loan operations have been identified for domestic operations of the BPI Group at June 30, 2017 and December 31, 2016:

	Jun. 30, 17				Dec. 31, 16			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Domestic Activity								
Companies	853 027	182 127	1 035 154	226 427	860 286	177 025	1 037 311	225 275
Loans to individuals								
Housing	190 375	57 117	247 492	50 284	191 649	56 843	248 492	53 500
Other loans	74 419	50 254	124 673	50 726	86 135	55 602	141 737	52 873
	1 117 821	289 498	1 407 319	327 437	1 138 070	289 470	1 427 540	331 648

At December 31, 2016 restructured loan operations identified by Banco de Fomento de Angola amounted to 25 550 t. euro.

Liquidity risk

The schedules presented below were prepared based on the requirements of IFRS 7 relating to Liquidity Risk, considering the total contractual undiscounted cash flows expected to be paid or received in the periods relating to outstanding transactions on the reference dates.

The main assumptions used in preparing the tables below were as follows:

- in the case of interest depending on market indices or other references which are only identifiable on a future date (e.g: interest based on the Euribor), assumptions were made regarding the future value of such references, based on the last known value;
- defaults and early repayment are not considered (except for perpetual debt instruments);
- shares and overdue loans are included (by their book value) as "undetermined";
- demand deposits (including interest) and the bills and coins on hand are considered as "on demand";
- trading portfolio operations and all derivatives are considered in these schedules by their projected or estimated cash flows, on the contractual dates, and not by the market values that would be obtained by their possible sale in the short term.

The contractual undiscounted cash flows of financial assets and liabilities at June 30, 2017 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at Central Banks	983 403						983 403
Deposits at other credit institutions	300 027						300 027
Financial assets held for trading and at fair value through profit or loss		198 794	474 137	415 466	98 510	1 025 934	2 212 842
Financial assets available for sale		1 070 747	1 890 511	500 000	31 216	372 708	3 865 182
Held-to-maturity investments		2 700	8 100	3 600			14 400
Loans and advances to credit institutions		446 326	167 573	129 332	863		744 094
Loans and advances to customers		2 187 818	2 538 363	6 613 349	11 429 067	654 673	23 423 270
Hedging derivatives[1]		818 806	1 864 304	4 200 644	183 659		7 067 413
Trading derivatives [1]		2 140 221	393 064	2 256 751	2 031 372		6 821 407
Contractual interest cash flows of derivatives		7 783	31 679	96 666	67 258		203 385
Contractual interest cash flows of other assets		133 903	414 746	1 538 449	1 999 337		4 086 436
	1 283 430	7 007 099	7 782 477	15 754 256	15 841 282	2 053 316	49 721 859
Liabilities							
Resources of central banks		147 213		2 000 831			2 148 044
Financial liabilities held for trading			4 698				4 698
Resources of other credit institutions		765 550	145 389	322 846	389 421		1 623 206
Resources of customers and other debts	11 133 834	2 643 283	3 799 189	3 085 183	1 659 648		22 321 137
Debt securities		156 566	68 311	23 027	19 996		267 900
Financial liabilities relating to transferred assets					511 614		511 614
Hedging derivatives[1]		818 773	1 872 586	4 200 989	183 659		7 076 007
Trading derivatives [1]		2 099 060	385 103	2 205 741	1 985 456		6 675 360
Technical provisions		176 416	671 129	456 847	619 182		1 923 575
Other subordinated debt and participating bonds		60 731	8 507		300 000		369 238
Contractual interest cash flows of derivatives		7 104	44 573	139 691	82 633		274 001
Contractual interest cash flows of other liabilities		83 010	39 316	25 872	81 915		230 113
	11 133 834	6 957 706	7 038 801	12 461 027	5 833 525		43 424 893

[1] Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at December 31, 2016 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at Central Banks	876 621						876 621
Deposits at other credit institutions	235 109	65 081					300 190
Financial assets held for trading and at fair value through profit or loss		419 647	203 290	363 953	54 803	976 299	2 017 992
Financial assets available for sale		858 142	2 144 602	495 321	84 875	400 489	3 983 429
Held-to-maturity investments		2 608	7 825	5 867			16 300
Loans and advances to credit institutions		377 776	120 564	138 017	590		636 947
Loans and advances to customers		2 415 906	2 274 137	6 809 865	11 153 990	690 826	23 344 724
Hedging derivatives[1]		893 647	2 082 563	4 054 027	180 842		7 211 079
Trading derivatives [1]		1 507 748	351 846	2 223 824	1 985 780		6 069 198
Non-current liabilities held for sale and discontinued operations							
Cash and deposits at credit institutions	1 514 512	138 648					1 653 160
Financial assets held for trading or available for sale		492 567	1 693 412	828 839	341 169	3 340	3 359 327
Loans and advances to customers		99 264	178 107	561 012	419 794	62 822	1 320 999
Contractual interest cash flow s of derivatives		7 305	41 960	102 916	72 859		225 040
Contractual interest cash flow s of other assets		161 724	415 118	1 531 045	1 820 052		3 927 939
Contractual interest cash flow of non-current assets held for sale and discontinued operations		9 981	362 756	444 055	160 089		976 881
	2 626 242	7 450 045	9 876 180	17 558 741	16 274 843	2 133 776	55 919 826
Liabilities							
Resources of central banks		1		2 000 000			2 000 001
Resources of other credit institutions		259 834	108 329	20 404	706 841		1 095 408
Resources of customers and other debts	10 320 786	2 472 323	4 122 347	3 255 503	1 766 894		21 937 853
Debt securities		248 516	10 080	247 271			505 867
Financial liabilities relating to transferred assets					555 566		555 566
Hedging derivatives[1]		888 850	2 068 317	4 052 644	180 842		7 190 653
Trading derivatives [1]		1 511 419	351 966	2 223 824	1 985 780		6 072 990
Non-current liabilities held for sale and discontinued operations							
Resources of customers and other debts	3 873 665	1 107 337	840 794		1 167		5 822 963
Other financial instruments		151 758					151 758
Technical provisions		209 620	601 946	454 470	782 793		2 048 829
Other subordinated debt and participating bonds		56 957	12 481				69 438
Contractual interest cash flow s of derivatives		5 038	52 078	159 691	88 529		305 336
Contractual interest cash flow s of other liabilities		81 480	4 432	4 002	37 086		127 000
Contractual interest cash flow of non-current liabilities held for sale and discontinued operations		16 190	38 675				54 865
	14 194 451	7 009 323	8 211 444	12 417 810	6 105 498		47 938 526

[1] Includes the notional amount of swap operations.

The Bank continuously tracks the evolution of its liquidity, monitoring the incoming and outgoing of funds in real time in accordance with the various origins and destinations. Projections of liquidity are carried out periodically in order to help plan the short and medium term funding strategy.

Net funding obtained from the ECB remains at 2 000 million euro in June 2017, relating to the funds obtained under the Targeted Longer – Term Refinancing Operations (TLTRO) (4 year operation at a fixed rate launched by the ECB at the end of 2014 to promote the granting of credit to the economy, maturing in September 2018) and the TLTRO 2, second loan incentive program which began in June 2016 with a maturity of 4 years.

More information about the management of liquidity risks of the BPI Group is contained in the “Liquidity risk” section of the Directors' Report.

Market Risk

Market risk (interest rate, exchange rate, share price, commodity price and spread) is defined as the potential to incur losses due to unexpected changes in the price of instruments or operations (“price” includes index value, interest rate or exchange rate). Spread risk is the risk resulting from the variability of interest rates of some counterparties in relation to the interest rate used as a reference.

The Executive Board for Global Risks (EBGR) is responsible for managing the BPI Group's market risk and differentiates between the trading portfolio (trading) and the remaining businesses. In the specific case of exchange risk, the assessment is made for the activity as a whole (trading and non-trading).

More information about market risks in the BPI Group is contained in the “Risk Management” section of the Directors' Report.

Trading portfolio (trading)

Trading positions are managed autonomously by the traders, within the limits established by the Trading Department Manual for the entire BPI Group, approved by the Executive Committee of the Board of Directors. The trading portfolio is defined for financial and risk management purposes independently of the accounting classification (although the concepts largely match) and includes all types of financial instruments traded by the Trading Rooms (derivatives, repurchases, shares and bonds) that cause various types of market risk, namely interest rate, shares, exchange, commodities and spread risks.

Market risk in trading operations is assessed and controlled daily through the calculation of VaR - Value at Risk – using a standard model (of the “variance co-variance” type), based on the activity of the Banks of the BPI Group as a whole.

Calculated VaR corresponds to the maximum potential loss, with a confidence level of 99%, resulting from an adverse evolution of risk factors within a timeframe of two weeks (risk factors are price increase rates, indexes and interest rates that affect the value of the portfolio, or that are taken as representative of those prices, indexes and rates). The model uses, as risk factor volatility, the standard deviation of historical samples of their amounts on an annual basis and uniform weight. In calculating the overall risk, the effect of the diversification of investments is included in the model through the statistical effect of the correlation between risk factors (the correlation is calculated from annual historical samples and uniform weight of relevant pairs of risk factors). A normal distribution of risk factors is assumed, with average of zero and standard deviation leading to the above mentioned confidence level.

In the first half of 2017 and 2016 the average VaR in the Bank's trading books was as follows:

	Jun. 30, 17		**Jun. 30, 16**	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	344	1 031	2 071	5 679
Currency risk	162	373	46	247
Equity risk	600	1 203	893	2 871

In compliance with its legal obligations, the Group also produces prudential information for purposes of control by the supervisor and calculates regulatory capital relating to market risks in accordance with the standard methodology established by the Bank of Portugal.

Banking portfolio (non-trading)

The Financial Committee, chaired by the Executive Board's member responsible for the financial portfolio, monitors and manages the positions that are part of the banking portfolio, from reports produced for the purpose and within the guidelines of EBGR. When necessary an extraordinary meeting of EBGR is requested to make the more important decisions.

Offsetting of financial assets and liabilities

BPI Group has contracts that allow the offsetting of financial assets and liabilities on a net basis per counterparty, namely derivative operations and repo security transactions.

The Group has the policy of contracting its derivative operations with its professional counterparties (through "ISDA Master Agreements") or with its customers (through framework contracts), in order to have the possibility, in both cases, of netting positions by counterparty or customer. Credit Support Annexes (CSA's) are also signed with professional counterparties that allow the transfer of collateral in order to minimize the risk.

Repo transactions are made mostly under a standard ISMA contract called "Global Master Repurchase Agreement", which is considered as a compensation agreement, allowing the offsetting of the positive and negative values of all transactions negotiated with the counterparty.

Derivatives and repo transactions relating to securities are not compensated for the purpose of presentation in the financial statements of the BPI Group - the amount of each transaction is recorded as an asset or a liability, depending on whether the operation has a positive or negative fair value, respectively.

At June 30, 2017 and December 31, 2016 the amount of asset derivative financial instruments[1] traded in the over-the-counter market, offset by related liability derivatives, by counterparty type, were as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not offset in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
	Jun. 30, 17			
Financial Institutions	37 258	(26 827)	(6 669)	3 762
Local and Administrative Public Sector	260			260
Other Financial Intermediaries	13 902	(4 033)		9 869
Companies	137 285	(1 671)		135 614
Individuals	129			129
Total	188 834	(32 531)	(6 669)	149 634
	Dec. 31, 16			
Financial Institutions	40 431	(28 229)	(5 970)	6 232
Local and Administrative Public Sector	300			300
Other Financial Intermediaries	5 465	(1 331)		4 134
Companies	157 095	43		157 138
Individuals	159			159
Total	203 450	(29 517)	(5 970)	167 963

[1] Does not include embedded derivatives and listed derivatives in the amounts of 66 t. euro and 1 643 t. euro, at June 30, 2017 and December 31, 2016, respectively.

At June 30, 2017 and December 31, 2016 the amount of liability derivative financial instruments[1] traded in the over-the-counter market, offset by related asset derivatives, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not offset in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
		Jun. 30, 17		
Financial Institutions	239 979	(27 664)	(194 607)	17 708
Other Financial Intermediaries	9 816	(4 033)	(33)	5 750
Companies	8 980	(7 507)		1 473
Individuals	38			38
Total	258 813	(39 204)	(194 640)	24 969
		Dec. 31, 16		
Financial Institutions	296 269	(28 229)	(254 025)	14 015
Other Financial Intermediaries	12 852	(1 331)	(3 122)	8 399
Companies	642	43		685
Individuals	77			77
Total	309 840	(29 517)	(257 147)	23 176

At June 30, 2017 and December 31, 2016 the amount of securities purchased with resale agreements, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Securities received with resale agreements	Net value
		Jun. 30, 17	
Financial Institutions	105 194	(105 194)	
Total	105 194	(105 194)	
		Dec. 31, 16	
Financial Institutions	957	(957)	
Total	957	(957)	

At June 30, 2017 and December 31, 2016 the amount of debt securities sold with repurchase agreements, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Securities received with resale agreements	Net value
	Jun. 30, 17		
Other Financial Intermediaries	135 900	(135 900)	
Total	135 900	(135 900)	
	Dec. 31, 16		
Other Financial Intermediaries	61 545	(61 545)	
Total	61 545	(61 545)	

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin and shareholders' equity to a 2% increase in the reference interest rate, considering all the instruments of the banking portfolio sensitive to interest rate variations:

	Jun. 30, 17		Jun. 30, 16	
	Financial margin		Financial margin	
Time Band	Position	Impact	Position	Impact [1]
on demand	(6 028 862)	(120 247)	(4 499 371)	(89 987)
on demand - 1 month	3 024 472	53 668	858 634	16 486
1 - 3 months	2 623 309	41 821	6 024 678	97 688
3 - 6 months	3 582 855	39 789	2 111 010	24 795
6 - 9 months	1 531 243	12 847	258 557	2 090
9 months - 1 year	842 264	1 902	(10 246)	(293)
Total	5 575 281	29 780	4 743 262	50 779

[1] The 2016 position does not consider the assumptions considered as of May 2017, legal caps and floors, rates of early repayment of the fixed rate loans and rates of early withdrawal of time deposits.

The positions were distributed according to the next repricing date and assuming a constant balance sheet. It has been assumed that fixed rate operations will be renewed at their maturity date.

This analysis included regulatory assumptions (BCBS) on the stability of demand deposits and behavioral option for term deposits and fixed rate loans. The demand deposits portfolio was distributed by repricing gaps in accordance with its historical stability. To the fixed rate term deposits and loan portfolios have been applied expected rates of early withdrawal / repayment (respectively), in accordance with the historical analysis of the evolution of these portfolios.

Legal floors and caps to the rates of each type of portfolio were also considered..

The amounts of impact indicate an estimate of the impact on the financial margin obtained at the end of 12 months starting on July 1 of each year resulting from a single and instantaneous change of 2% in the overall market interest rates affecting the respective positions. Therefore, the impact on each date depends on the existence and time distribution of the repricing gaps.

The interest rate risk of the remaining fixed interest rate assets and liabilities is hedged through derivatives, or is offset by balance sheet operations with a reverse risk profile.

Equity risk

In accordance with prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss[2]. This stress test was based on the following exposures in shares and participating units:

	Jun. 30, 17	Jun. 30, 16
Financial assets at fair value through profit or loss	6 242	6 463
Financial assets available for sale - at fair value and without impairment	133 172	130 151
Financial assets available for sale - at fair value and with impairment	102 219	107 537
Financial assets available for sale at historical cost	5 779	6 058
Participating units in liquidity, bond and real estate funds		3 794
	247 412	**254 003**

Note: Does not include the trading portfolio which is considered in market risk.

A 20% decrease in the price of the above securities (except for securities recorded at cost and participating units in liquidity, bond and real estate funds) at June 30, 2017 and 2016, would result in a decrease of 48 327 t. euro and 48 830 t. euro, respectively, in their fair value, implying the recognition of a loss of 21 692 t. euro and 22 800 t. euro, the remaining devaluation being reflected in the fair value reserve.

[2] Excluding securities held by BPI Vida e Pensões.

Currency risk

Financial assets and liabilities at June 30, 2017, by currency, were as follows:

	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at Central Banks	1 225 339	22 969		35 122	1 283 430
Financial assets held for trading and at fair value through profit or loss	2 265 795	141 126		2 810	2 409 731
Financial assets available for sale	3 720 407	58 593		270	3 779 270
Loans and advances to credit institutions	586 788	135 013		22 756	744 557
Loans and advances to customers	22 631 693	151 818		36 335	22 819 846
Held-to-maturity investments	14 415				14 415
Hedging derivatives	19 057	1 335		45	20 437
Tangible and intangible assets	67 831			611	68 442
Investments in associates and jointly controlled entities	128 989		492 064	53 904	674 957
Tax assets	472 075			749	472 824
Other assets [1]	395 174	6 062	57 633	4 626	463 495
	31 527 563	516 916	549 697	157 228	32 751 404
Liabilities					
Resources of central banks	1 998 163	147 218			2 145 381
Financial liabilities held for trading	183 819	1 906		61	185 786
Resources of other credit institutions	1 222 607	394 542		6 995	1 624 144
Resources of customers and other debts	20 849 325	1 324 807		161 338	22 335 470
Debt securities	268 891				268 891
Financial liabilities relating to transferred assets	511 425				511 425
Hedging derivatives	77 342	589		33	77 964
Provisions	68 304			487	68 791
Technical provisions	1 923 575				1 923 575
Tax liabilities	67 091				67 091
Other subordinated debt and participating bonds	373 832				373 832
Other liabilities [1]	579 869	7 368		1 675	588 912
Foreign exchange operations to be settled and position for forward transactions	1 502 097	(1 398 810)		(85 463)	17 824
	29 626 340	477 620		85 126	30 189 086
Shareholders' equity attributable to the shareholders of BPI	2 004 094	(3 439)	492 064	67 845	2 560 564
Non-controlling interests	1 754				1 754
Foreign exchange position	(104 625)	42 735	57 633	4 257	
Stress Test		8 547	17 290	851	

[1] Excludes the amount recorded in foreign exchange transactions pending settlement and position for term operations.

Financial assets and liabilities at December 31, 2016, by currency, were as follows:

	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at Central Banks	1 117 797	20 249		38 765	1 176 811
Financial assets held for trading and at fair value through profit or loss	2 099 280	96 387		2 246	2 197 913
Financial assets available for sale	3 798 066	78 089		279	3 876 434
Loans and advances to credit institutions	452 060	153 927		31 620	637 607
Loans and advances to customers	22 524 505	181 389		29 864	22 735 758
Held-to-maturity investments	16 317				16 317
Hedging derivatives	23 794	1 926		82	25 802
Non-current assets held for sale and discontinued operations	13 262	1 940 802	4 339 210	2 636	6 295 910
Tangible and intangible assets	75 936			648	76 584
Investments in associates and jointly controlled entities	130 833			44 845	175 678
Tax assets	471 114			734	471 848
Other assets [1]	559 910	12 910		10 823	583 643
Foreign exchange transactions pending settlement and position for term operations	(1 151 423)	1 089 022		76 748	14 347
	30 131 451	3 574 701	4 339 210	239 290	38 284 652
Liabilities					
Resources of central banks	2 000 011				2 000 011
Financial liabilities held for trading	209 057	3 574		82	212 713
Resources of other credit institutions	1 029 298	65 235		1 906	1 096 439
Resources of customers and other debts	20 403 199	1 399 144		165 338	21 967 681
Debt securities	503 181	3 589			506 770
Financial liabilities relating to transferred assets	555 385				555 385
Hedging derivatives	97 047	705		4	97 756
Non-current liabilities held for sale and discontinued operations	256 504	1 932 594	3 753 819	8 481	5 951 398
Provisions	70 235				70 235
Technical provisions	2 048 829				2 048 829
Tax liabilities	22 006				22 006
Other subordinated debt and participating bonds	69 500				69 500
Other liabilities	766 197	8 882		2 325	777 404
	28 030 449	3 413 723	3 753 819	178 136	35 376 127
Shareholders' equity attributable to the shareholders of BPI	1 928 952	(8 449)	468 143	51 831	2 440 477
Non-controlling interests	1 775		466 274		468 048
Foreign exchange position	170 275	169 427	(349 026)	9 323	
Stress Test		33 885	104 708	1 865	

[1] Excludes the amount recorded in foreign exchange transactions pending settlement and position for term operations.

The stress test consists of assessing the impact of a 20% variation in the exchange rate of each currency against the euro, with the exception of the Kwanza (AKZ) in which the impact of a 30% variation against the euro was assessed. The amounts presented above are absolute amounts, and correspond to the potential impact (before taxes) on total equity including non-controlling interests.

The participations in Banco de Fomento Angola (BFA), Banco Comercial e de Investimentos (BCI) and BPI Mozambique expose the BPI Group to exchange risk which is reflected mainly in the translation to euro of the balance sheet and results of these companies in terms of their consolidation. Consequently the changes in exchange rates of the respective functional currencies against the euro: (i) local currencies – kwanza and metical, in Angola and Mozambique, respectively – in relation to the euro and (ii) dollars in relation to the euro, due to the significant use of the American dollar in these economies, influence the evolution of the balance sheet captions and results of the BPI Group. Exchange differences resulting from the translation to euro of shareholders' equity of BFA, BCI and BPI Mozambique are recognized directly in the equity caption revaluation reserves.

In Angola and Mozambique there are restrictions resulting from currency exchange control policies, both in currency exchange and in capital transferred to other countries. Currency transfer, including the repatriation of profits or dividends, is subject to official authorization of these countries.

BFA strictly manages its foreign exchange exposure resulting from structural positions held in the various currencies or transaction needs of its customers, seeking to actively control its risk by maintaining its asset and liability positions in each currency balanced.

As a basic criterion, the currency exposure of BFA (to currencies other than the kwanza) should tend to be zero, there being the possibility of temporary fluctuations in short or long positions. In situations of expected currency devaluation of the kwanza, BFA established long positions in dollars, within the limits defined for this purpose.

As part of its activity, BFA operates mainly in kwanzas and dollars, holding positions in other currencies at residual levels, simplifying the process of managing the exchange position. In order to ensure the timely satisfaction of the needs for currencies of its Customers, BFA purchases currencies in the primary market through the mechanism of BNA´s foreign exchange auctions and purchases from Customers. The financial management rules and foreign exchange risks are set out in the Limits and Procedures Manual of the Financial and International Department.

At December 31, 2016 the consolidated balance sheet of the BPI Group includes a significant portion of assets and liabilities in kwanzas, included under the caption Non-current assets held for sale and discontinued operations and Non-current liabilities held for sale and discontinued operations, respectively (Note 4.9). Financial information expressed in this currency, disclosed in the consolidated financial statements and accompanying notes, has been translated to euro for presentation purposes based on the criteria defined in IAS 21 (Note 2.2.). These amounts should not be interpreted as a representation that the amounts in kwanzas could have been, or could be, converted to euros.

At December 31, 2016 US dollar loans granted by BFA to customers, are presented in the above table in the "USD" column. However, in accordance with item 2, article 4 of Notice. 3/2012 of the National Bank of Angola financial institutions should, in the collection of installments of loans granted, accept available funds in the accounts of its customers expressed in any currency, regardless of the contracted currency. This requirement applies only to loans contracted after the entry into force of that standard. BFA customers have generally paid the installments of principal and interest of US dollar loans with the equivalent in kwanzas at the settlement date, under the option given in BNA Notice 3/2012.

Hedge accounting

The BPI Group applies fair value hedge accounting to several business lines, including hedging for:
- fixed rate loans to customers;
- fixed rate deposits;
- fixed rate debt issues;
- structured debt issues;
- fixed rate securities.

The BPI Group uses "back-to-back" hedging relationships and macro-hedging.

The BPI Group hedges interest rate risk and currency risk relating to the above hedged items.

Interest rate swaps and forward currency operations are the main hedging instruments used.

Application of Hedge Accounting eliminates the "accounting mismatch" that would result from the recognition of the hedged items at amortized cost, while the hedging instruments (derivative financial instruments) would have to be recorded at fair value through profit or loss. The value of hedged financial instruments is their exposure (nominal value contracted).

The book value of hedged instruments and fair value of hedging instruments at June 30, 2017 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain/loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	Fair Value
Assets									
Loans to customers	774 427	1 206	(3 163)	22 730	795 200	785 510	(6 441)	(26 610)	(33 051)
Fixed rate securities portfolio	475 000	9 739		33 884	518 623	481 862	(2 998)	(33 805)	(36 803)
	1 249 427	10 945	(3 163)	56 614	1 313 823	1 267 372	(9 439)	(60 415)	(69 854)
Liabilities									
Customer deposits	5 151 876	2 702		(1 020)	5 153 558	5 762 903	(11 771)	(420)	(12 191)
Debt issues	47 900	1		83	47 984	50 000	(56)	(80)	(136)
	5 199 776	2 703		(937)	5 201 542	5 812 903	(11 827)	(500)	(12 327)

Note: Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at December 31, 2016 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain/loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	Fair Value
Assets									
Loans to customers	506 881	1 186	(2 346)	29 890	535 611	530 479	(6 102)	(33 286)	(39 388)
Fixed rate securities portfolio	475 000	14 642		43 073	532 715	474 800	(8 433)	(43 018)	(51 451)
	981 881	15 828	(2 346)	72 963	1 068 326	1 005 279	(14 535)	(76 304)	(90 839)
Liabilities									
Customer deposits	5 687 072	11 547		558	5 699 177	6 116 519	(16 737)	(2 120)	(18 857)
Debt issues	85 867	(142)		177	85 902	110 927	144	(172)	(28)
	5 772 939	11 405		735	5 785 079	6 227 446	(16 593)	(2 292)	(18 885)

Note: Embedded options were not included.

The tables above include the nominal amounts of hedged items for which hedge accounting is being applied. The notional amount of hedging instruments corresponds to the sum of the notional amounts of the hedging derivative contracts, including forward start operations (swaps and futures), and therefore the notional amount may be higher than the nominal amounts of the hedged items. For a given asset or liability (namely fixed rate securities) there may be several derivatives to hedge the corresponding future flows.

Net income on financial operations recognized in hedging derivative financial instruments and in hedged items in the first half of 2017 and 2016 were as follows:

Fair value types of hedge	Jun. 30, 17	Jun. 30, 16
Hedging derivatives	13 241	(29 618)
Hedged items		
Loans to customers	(7 118)	3 067
Fixed rate securities portfolio	(9 149)	(6 351)
Resources of credit institutions		13 792
Customer deposits	2 124	16 925
Debt issues	756	1 592
	(13 387)	29 025
	(146)	(593)

IFRS 9 – Impact on disclosures of expected loan losses

In July 2014 the IASB (International Accounting Standards Board) published IFRS 9 “Financial Instruments”. This standard, which is of mandatory application for years beginning on or after January 1, 2018, after its adoption by the European Union, will replace IAS 39 “Financial instruments: recognition and measurement”.

IFRS 9 introduces changes in the way in which financial institutions calculate impairment loss on their financial instruments, in particular as regards Loans to Customers. IFRS 9 uses an expected loss model (Expected Credit Loss – ECL) replacing the incurred loss model used by IAS 39. In accordance with this new model, entities must recognize expected losses prior to the occurrence of the loss events. There is also the need to include forward-looking information in the estimates of expected loss, with the inclusion of future trends and scenarios, namely macroeconomic scenarios. The ECL concept required by IFRS 9 also has differences in relation to the Expected Loss concept set out in CRD IV.

In the ECL model, assets subject to the impairment calculation should be classified in one of the following categories (“stages”), due to credit risk changes since the initial recognition of the asset and not based on the credit risk at the reporting date.

- Stage 1 – As from the initial recognition of the asset and whenever there is not a significant deterioration in credit risk since that date, the assets are classified in stage 1. An impairment loss corresponding to the ECL for the time horizon of 1 year as from the reporting date should be recognized for such assets.
- Stage 2 – If there is a significant deterioration in risk since initial recognition, the assets should be classified in stage 2. In this stage, the impairment corresponds to the ECL for the remaining life of the asset (ECL lifetime). The concept of significant deterioration of credit risk, established in IFRS 9, introduces a higher level of subjectivity in the impairment calculation, also requiring greater connection with the entity´s credit risk management policies. The lifetime and forward-looking perspectives introduce challenges in modelling, by financial institutions, of the credit risk parameters.
- Stage 3 – Impaired assets should be classified in this stage, with impairment corresponding to lifetime ECL. As compared with stage 2, the distinction corresponds to the recognition of the effective interest, which should be based on net book value (gross book value in stage 2).

In order to adopt IFRS 9, Banco BPI set up in 2015 a multidisciplinary working team including members from multiple departments as well as management. The work of this team is regularly monitored by the CECA (Executive Commission of the Board of Directors). Following the conceptual design of the methodologies and processes, the Bank is in an implementation phase for the full and timely adoption of IFRS 9.

By the end of 2016, the Bank implemented a number of significant changes in the classification process for exposures in default, agreed with the ECB's Joint Supervisory Team. Due to this reason, among others, the Bank considers it advisable for the disclosure of quantitative impacts to be carried out only when the stage of development of the work allows for stable and reliable estimates.

4.48. Share-based variable remuneration programme

As described in Note 2.10, the share-based variable remuneration programme (Remuneração Variável em Acções - RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and employees of the BPI Group (in the latter case provided that it exceeds 2 500 euro) it is made up of BPI shares and BPI share options.

The price of the shares granted corresponds to the weighted average list price of the BPI shares traded in the last ten stock exchange sessions prior to the date the shares are granted. The price of the shares granted also corresponds to the strike price of the options.

Taking into consideration the Public Tender Offer launched by CaixaBank on February 2017 and the impact of this operation in the terms of the RVA , the Executive Committee decided to make available to the Employees the shares that were granted to them under the RVA and which were subject to a suspensive condition. It was also offered to the Employees that were holding options the possibility of reconverting the options granted into shares, by dividing the value in cash underlying the options granted and not exercised in each RVA for the value of each share defined for granting the shares, as well as their immediate distribution.

Following this decision of the Executive Committee and taking into account that almost all employees accepted the proposed terms, the RVA programmes in force to date were terminated with the exception of the 2013 programme, in which two employees kept the granted options.

Regarding the RVA Remuneration programmes granted to Executive Directors, the rules under the Remuneration Policy continue to be fully applicable, namely the rules regarding the deferral and the application of the suspensive condition.

MODEL FOR VALUING THE EQUITY INSTRUMENTS GRANTED TO THE EMPLOYEES OF THE BPI GROUP

In determining the number of options to be granted to employees and directors, the BPI Group determines the financial value of the options as of the date they are granted.

The premium of the options over Banco BPI shares was determined in accordance with an internally developed model, based on the Black-Scholes model, for the RVA 2003 to RVA 2015 programmes.

The critical factors of the model used to manage the RVA programmes are as follows:

- Volatility of Banco BPI shares, which was determined as follows:
    - 60% of the historical volatility of Banco BPI shares in the last 3.33 years;
    - 10% of the VIX volatility index;
    - 10% of the VDAX volatility index;
    - 20% of the implicit volatility of the listed options traded in Spain over Spanish banks which are similar to Banco BPI.
- Average expected life of the option, which depends, among others, on the following factors:
    - Responsibility level of the beneficiaries: Directors and other employees;
    - Ratio between the market price and the strike price; and
    - Volatility of the share price.

The model also enables the number of shares of Banco BPI necessary to ensure adequate coverage of the inherent risk of issuing options under the RVA programme to be determined.

The parameters used to determine the financial value of the options under each RVA programme, as of the date the options are granted, are as follows:

	RVA 2010	RVA 2011	RVA 2012	RVA 2013	RVA 2014 [2]	RVA 2015 [2]
BPI listing	1.25	0.37	0.87	1.81	1.40	1.02
Strike price [1]	1.25	0.37	0.87	1.81	1.40	1.02
Implicit volatility	35.97%	41.70%	39.78%	37.29%	36.90%	40.50%
Interest rate	5.15%	3.87%	3.18%	1.48%	1.38%	1.35%
Expected dividends	0.00	0.00	0.00	0.00	0.00	0.00
Value of the option	0.25	0.12	0.28	0.44	0.33	0.24

[1] The strike price does not consider the effect of the adjustment relating to the capital increases in June 2008, May 2011, August 2012 and June 2014.

[2] Programmes that are only related to Directors whose referece years for options granted are 2012 and 2013 respectively.

Shares

The Bank, for purposes of the share-based payment programme, acquires a portfolio of BPI shares and transfers ownership of the shares on the date the RVA remuneration is granted.

In the case of death, incapacity or retirement of the employee, the shares not yet made available are made available early, becoming freely available to the person or to the respective heirs.

The shares refused include shares granted but not made available, to which the employee has lost his/her right because he/she has left the BPI Group.

Options

When an employee of the BPI Group leaves the Group he/she loses the right to the options attributed and not yet made available. In the case of options made available but not yet exercised, the employee has a maximum period of 30 days from the date the labour relationship ends to exercise the option, after which the option expires (options cancelled).

In the case of death, incapacity or retirement of employees, the options attributed become immediately exercisable, having to be exercised within a period of 2 years from the date of the event, otherwise they expire. Cancelled options include options not exercised within this period.

In the first half of 2017 and in 2016, the average price of the shares on the date in which the options were exercised was as follows:

	Options exercised in 2017		Options exercised in 2016	
Programme	**Number of options**	**Average price of the shares**	**Number of options**	**Average price of the shares**
RVA 2010			338 218	1.26
RVA 2011	300 672	1.13	77 075	1.10
RVA 2012	1 300	1.13	306 748	1.16

The following table presents the changes occurred in 2017 in the number of options in circulation, held by Directors and Employees of the BPI Group:

Movement	RVA 2010 [1]	RVA 2011	RVA 2012	RVA 2013	RVA 2014 [1]	RVA 2015 [1]
Number of outstanding options on Dec 31, 2016	1 502 410	300 672	1 240 591	2 988 429	3 584 433	772 299
Options canceled due to termination	426 820			128 894	645 027	233 270
Options exercised		300 672	1 300			
Options converted into shares			1 239 291	2 856 237		
Number of outstanding options on Jun 30, 2017	1 075 590			3 298	2 939 406	539 029

[1] Programmes that are only related to Directors whose referece years for options granted are 2010, 2012 and 2013 respectively.

Following the decision made by the Executive Committee under the Public Tender Offer launched by Caixabank, related to the possibility of conversion of the options held by the Employees into shares marketable in the Public Tender Offer, the factors for calculating the number of shares granted in the conversion are presented in the following table.

	RVA 2012	RVA 2013	Total
Options converted	1 239 291	2 856 237	
Price granted	0.277	0.443	
Amount granted	343 284	1 265 313	
Price of the shares granted	0.866	1.806	
Number of shares resulting from conversion	396 401	700 616	1 097 018
Shares attributed as a result of the rounding-up to w hole number of shares			4 065
Total number of shares			1 101 083

ACCOUNTING IMPACT OF THE RVA PROGRAMME

Shares

In order to cover the share-based payments, the Bank acquires a portfolio of treasury shares at the time the RVA remuneration is granted. The shares remain in Banco BPI's portfolio until they are made available to the beneficiaries. At that time they are derecognized by corresponding charge to the accumulated costs caption "Other equity instruments".

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment programme responsibilities resulting from the issuance of options to purchase BPI shares in accordance with a delta strategy (determined in accordance with BPI's options evaluation model developed in-house based on the Black-Scholes model). The strategy corresponds to the creation of a portfolio with delta shares for each option issued, the delta number corresponding to the relationship between the variation in the price of an option and variation in the price of the underlying share. The treasury shares held to hedge the risk of variation in the amount of the options sold are recorded in the caption "Treasury shares hedging the RVA", where they remain while they are held for that purpose.

The existing RVA programmes on June 30, 2017 as well as its features, outstanding amounts and amounts recognized for the components of shares and options in each programme are presented in the following table:

		Initial allocation					Periods of release of the share tranches / exercise options		Options exercised or converted into shares under the Tender Offer	Jun. 30, 17		Cost recognized in equity	Cost not yet recognized in equity	Own shares to hedge options
Reference year	Programme	Grant date	Value granted	Strike price [1]	Number	Value	Beginning	End	Number	Number	Value	Value	Value	Value
Employees														
	Options													
2013	RVA 2013	14-05-2014	0.4430	1.8060	3 005 860	1 332	15-08-2014	14-05-2019	2 985 131	3 298	1	1		
					3 005 860	**1 332**			**2 985 131**	**3 298**	**1**	**1**		
Directors									**Deleted shares and options [3]**					
	Shares													
2012	RVA 2014 [2]	03-09-2014	1.4010		57 627	81	03-09-2017			57 627	81	76	5	
2013	RVA 2015 [2]	10-07-2015	1.0206		145 009	148	10-07-2018			145 009	148	99	49	
2015	RVA 2016 [2]					1 181			198		983	556	427	
					202 636	**1 410**			**198**	**202 636**	**1 212**	**731**	**481**	
	Options													
2010	RVA 2010 [4]	29-04-2011	0.2460	1.2450	1 075 590	265	29-04-2014	29-04-2017		1 075 590	265	265	0	
2012	RVA 2014 [2]	03-09-2014	0.3250	1.4010	3 584 433	1 165	03-09-2017	03-09-2020	645 027	2 939 406	955	902	53	
2013	RVA 2015 [2]	10-07-2015	0.2411	1.0206	772 299	186	10-07-2018	10-07-2021	233 270	539 029	130	87	43	
					5 432 322	**1 616**			**878 297**	**4 554 025**	**1 350**	**1 254**	**96**	**377**
						3 025					**2 562**	**1 985**	**578**	**377**

[1] Exercise price after the effect of Banco BPI capital increase in May 2011, August 2012 and June 2014.

[2] Amount in suspensive condition equal to 50% of the value granted, which will be settled in cash.

[3] Shares and options elimitated following the exit of a member of the Board of Directors.

[4] Programme that has been reclassified into an accrued costs account and awaits a decision of the Board of Directors.

The existing RVA programs on December 31, 2016 as well as its features, outstanding amounts and amounts recognized for the components of shares and options in each programme are presented in the following table:

Initial allocation							Periods of release of the share tranches / exercise options		Dec. 31, 16		Cost recognized in equity	Cost not yet recognized in equity	Own shares to hedge options
Reference year	Programme	Grant date	Value granted	Strike price [1]	Number	Value	Beginning	End	Number	Value	Value	Value	Value
Employees													
	Shares												
2013	RVA 2013	14-05-2014	1.8060		702 879	1269	14-05-2014	14-05-2017	168 917	305	284	21	
					772 970	**1 326**			**168 917**	**305**	**284**	**21**	
	Options												
2010	RVA 2010	29-04-2011	0.2460	1.1080	2 895 965	712	30-07-2011	29-04-2016	426 820	105	105	0	
2011	RVA 2011	28-05-2012	0.1240	0.3580	1 194 011	148	29-08-2012	28-05-2017	300 672	36	36	0	
2012	RVA 2012	19-12-2012	0.2770	0.8660	2 616 653	725	19-03-2013	19-12-2017	1240 591	344	344	0	
2013	RVA 2013	14-05-2014	0.4430	1.8060	3 005 860	1332	15-08-2014	14-05-2019	2 988 429	1324	1324	0	
					9 712 489	**2 917**			**4 956 512**	**1 809**	**1 808**	**0**	
						4 242				**2 114**	**2 092**	**21**	
Directors													
	Shares												
2012	RVA 2014	03-09-2014	1.4010		57 627	81	03-09-2017		57 627	81	63	18	
2013	RVA 2015	10-07-2015	1.0206		145 009	148	10-07-2018		145 009	148	86	62	
	RVA 2016 [3]					2 235					789	1446	
					202 636	**2 464**			**202 636**	**229**	**938**	**1 526**	
	Options												
2010	RVA 2010	29-04-2011	0.2460	1.2450	1075 590	265	29-04-2014	29-04-2017	1075 590	265	265	0	
2012	RVA 2014	03-09-2014	0.3250	1.4010	3 584 433	1165	03-09-2017	03-09-2020	3 584 433	1165	906	259	
2013	RVA 2015	10-07-2015	0.2411	1.0206	772 299	186	10-07-2018	10-07-2021	772 299	186	109	77	
					5 432 322	**1 616**			**5 432 322**	**1 616**	**1 280**	**336**	
						4 079				**1 844**	**2 218**	**1 862**	**10 336 258**

[1] Exercise price after the effect of Banco BPI capital increase in May 2011, August 2012 and June 2014.

[2] Incudes options of Employees and Directors.

[3] Amount in suspensive condition equal to 50% of the value granted

Impact in gains or losses recognized in equity

When the options are exercised, the treasury shares are derecognised together with transfer of share ownership to the Employees. At that time a gain or loss is recognised, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programmes, less the cost of the option premiums accumulated in the caption "Other equity instruments".

The gain and loss realised on treasury shares hedging the exercise of RVA options, as well as the respective taxes, are recorded directly in shareholders' equity, not affecting net income.

The gain and (loss) recorded in making the shares available and in exercising the options, as well as in the corresponding hedge, recorded in shareholders' equity in the first half of 2017 and in 2016 were as follows:

Gain or loss		Programme	Jun. 30, 17	Dec. 31, 16
Shares	In making the shares available	RVA 2010	(4)	
		RVA 2011		
		RVA 2012		
		RVA 2013		
			(4)	
Options	In the exercise of options / conversion of options into shares under the Tender Offer	RVA 2010	(1 519)	29
		RVA 2011	(839)	(215)
		RVA 2012	(2 493)	(553)
		RVA 2013	829	
			(4 022)	**(739)**
			(4 026)	**(739)**

Impact in net income

The costs relating to the share-based payment programme of the Employees of Banco BPI and of its subsidiaries are accrued under the captions "Personnel costs" and "Investments in subsidiaries and associates", respectively, with a corresponding entry to "Other equity instruments" caption, as established by IFRS 2 for share-based payment programmes. The cost of the shares and option premiums, as of the date they are granted, is accrued on a straight-line basis from the beginning of the year of the programme (January 1) to the moment they become available to the Employees.

In the first half of 2017, following the Executive Committee decision referred previously, the costs accrued to date related to RVA programmes for Employees were reversed. The total cost recognized for share-based payment programmes can be summarized as follows:

Programme	Jun. 30, 17			Jun. 30, 16		
	Shares	Options	Total	Shares	Options	Total
RVA 2010		(98)	(98)			
RVA2013	27	(31)	(4)	125	(6)	119
RVA 2014	13	16	30	13	194	207
RVA 2015 and 2016 [1]			11	(166)	(450)	(616)
Total	**41**	**(113)**	**(62)**	**(28)**	**(262)**	**(290)**

[1] RVA's in suspensive condition that will be settled in cash.

4.49. Capital Management

At June 30, 2017 and at December 31, 2016 the Group had the following capital ratios calculated in accordance with the transitional provisions of Directive 2013/36/EU and Regulation (EU) 575/2013, CRD IV / CRR, approved on June 26, 2013 by the European Parliament and the Council of the European Union in force as of January 1, 2014.

	Jun. 30, 17	Dec. 31, 16
Accounting Shareholders' Equity [1]	2 712 753	2 621 371
Potential gains on fair value reserve	17 449	9 900
Eligible minority interests		382 557
Actuarial deviations	(145 374)	(145 235)
Deferred tax assets arising from tax losses	(16 760)	(18 349)
Loans granted for the acquisition of shares, intangible assets and AVA [2]	(29 430)	(30 740)
Investment in banking and insurance institutions	(478 959)	(30 175)
Negative additional Tier 1	(62 591)	(34 664)
Common Equity Tier 1	**1 997 088**	**2 754 665**
Tier 2	237 606	
Total equity	2 234 694	2 754 665
Risk-weighted assets	**16 779 861**	**24 122 127**
Common Equity Tier 1	11.9%	11.4%
Tier 1	11.9%	11.4%
Total Ratio	13.3%	11.4%

[1] Excluding fair value reserve and actuarial deviations

[2] Additional Valuation Adjustment, adjustment of additional valuation according to the delegated regulation (UE) 2016/101

Considering full implementation of the CRV IV/CRR rules, Banco BPI's "fully implemented" Common Equity Tier 1 at June 30, 2017 was 10.9%. At December 31, 2016 the "fully implemented" Common Equity Tier 1 was 11.1%.

In December 2016, Banco BPI received the ECB's decision on the minimum prudential requirements to be in force as of January 1, 2017, which was based on the results of the Supervisory Review and Evaluation Process (SREP).

	Minimum requirements for 2017					
	Consolidated					Individual
Phasing-in	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%**
Total ratio	**11.75%**	8.00%	2.50%	1.25%	-	**11.75%**

[1] As determined by Banco de Portugal, the capital preservation buffer for 2017 is 1.25%, the counter-cyclical buffer is currently set at 0% and the O-SII buffer is null in 2017.

[2] The difference between the requirement for individual CET1 and consolidated CET1 arises from the guidance in Pillar 2 only applicable to consolidated CET1. Pillar 2 guidance is not relevant to determine the maximum distributable amount (MDA).

On June 30, 2017, Banco BPI complied with the minimum capital requirements at consolidated and non-consolidated levels.

During the first half of 2017, Banco BPI issued 300 million euro of subordinated debt eligible as Tier 2.

For 2016, the minimum capital requirements established by the ECB were:

Phasing-in	Minimum requirements for 2016	
	Consolidated[(1)]	Individual
CET1	9.75%	5.125%
T1	9.75%	6.625%
Total Ratio	9.75%	8.625%

(1) In addition, for 2016 an early warning buffer of 0.25% was established on CET1 on a consolidated basis.

At December 31, 2016, Banco BPI complied with the minimum capital requirements.

Dividend policy

As from the amendment to the articles of association of Banco BPI approved in the Shareholders' General Meeting held on April 20, 2006, the following rule was included (Article 26 item 3): "The Shareholders' General Meeting should decide on the long term dividend policy by proposal of the Board of Directors which should justify possible deviations from that policy."

In complying with this statutory rule, the Shareholders' General Meeting held on April 19, 2007 approved the Long Term Dividend Policy of Banco BPI, the main guideline being to distribute an annual dividend of not less than 40% of consolidated net income for the year, except in special circumstances.

4.50. Related parties

In accordance with IAS 24, the entities considered to be related to Banco BPI are:
- Those in which the Bank has direct or indirect significant influence in decisions relating to their financial and operating policies – Associated and jointly controlled entities and pension funds;
- Entities that have direct or indirect significant influence on the management and financial policies of the Bank – Shareholders, presuming that this happens when the equity interest exceeds 20%.
- Key management personnel of Banco BPI, considering for this purpose executive and non-executive members of the Board of Directors and individual persons and companies associated with them.

The BPI Group's related parties at June 30, 2017 were as follows:

Name of related entity	Head Office	Effective participation	Direct participation
Associated and jointly controlled entities of Banco BPI			
Banco de Fomento Angola, S.A.	Angola	48.1%	48.1%
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	30.0%	30.0%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension funds of Employees of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	9.0%	
Fundo de Pensões Aberto BPI Valorização	Portugal	41.9%	
Fundo de Pensões Aberto BPI Segurança	Portugal	22.9%	
Fundo de Pensões Aberto BPI Garantia	Portugal	9.0%	
Shareholders of Banco BPI			
Grupo La Caixa	Spain	84.51%	
Members of the Board of Directors of Banco BPI			
Artur Santos Silva			
Fernando Ulrich			
Alfredo Rezende de Almeida			
Allianz Europe Ltd. - that appointed Carla Bambulo as representative to act in her own name			
António Lobo Xavier			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Lluís Vendrell			
Manuel Ferreira da Silva			
Maria Celeste Hagatong			
Pablo Forero Calderon			
Pedro Barreto			
Tomás Jervell			
Vicente Tardio Barutel			

The BPI Group's related parties at December 31, 2016 were as follows

Name of related entity	Head Office	Effective participation	Direct participation
Associated and jointly controlled entities of Banco BPI			
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	30.0%	30.0%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension funds of Employees of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	9.2%	
Fundo de Pensões Aberto BPI Valorização	Portugal	39.6%	
Fundo de Pensões Aberto BPI Segurança	Portugal	22.4%	
Fundo de Pensões Aberto BPI Garantia	Portugal	9.7%	
Shareholders of Banco BPI			
Grupo La Caixa	Spain	45.50%	
Members of the Board of Directors of Banco BPI			
Artur Santos Silva			
Fernando Ulrich			
Alfredo Rezende de Almeida			
Allianz Europe Ltd. - que nomeou para exercer o cargo em nome próprio Carla Bambulo			
António Lobo Xavier			
Armando Leite de Pinho			
Carlos Moreira da Silva			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Lluís Vendrell			
Manuel Ferreira da Silva			
Maria Celeste Hagatong			
Mário Leite da Silva			
Pablo Forero Calderon			
Pedro Barreto			
Santoro Finance – Prestação de Serviços, S.A.			
Tomás Jervell			
Vicente Tardio Barutel			

The total assets, liabilities and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June 30, 2017 were as follows:

	Associated and jointly controlled entities	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications and deposits	17 892		**17 892**
Financial assets held for trading and at fair value through profit or loss		137	**137**
Loans net of impairment	16		**16**
Other assets	68 544	733	**69 277**
	86 452	**870**	**87 322**
Liabilities			
Deposits and technical provisions	18 599	275 798	**294 397**
Resources of other credit institutions	589 266		**589 266**
Provisions	29		**29**
Other financial resources		60 053	**60 053**
Other liabilities	15		**15**
	607 909	**335 851**	**943 760**
Off balance sheet items			
Guarantees provided and other contingent liabilities			
Guarantees and sureties	11 788	60	**11 848**
Documentary credits open	40 221		**40 221**
Guarantees received	35 076		**35 076**
Commitments to third parties			
Revocable commitments	5 119		**5 119**
Irrevocable commitments	4 032		**4 032**
Responsabilities for services rendered			
Deposit and safeguard of assets	1 108 656	1 188 248	**2 296 904**
Foreign exchange transactions and derivative instruments			
Purchase	6 275		**6 275**
Sale	(6 266)		**(6 266)**
	1 204 901	**1 188 308**	**2 393 209**

The total assets, liabilities and off-balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at June 30, 2017 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	Total
Assets				
Financial applications and deposits	22 601			**22 601**
Financial assets held for trading and at fair value through profit or loss	206	21 775	1 681	**23 662**
Financial assets available for sale	88		84 847	**84 935**
Loans net of impairment	5	9 524	209 040	**218 569**
Derivatives	537			**537**
Other assets	14 242	1	201	**14 444**
	37 679	**31 300**	**295 769**	**364 748**
Liabilities				
Deposits and technical provisions	712	11 297	8 172	**20 181**
Resources of other credit institutions	3 390			**3 390**
Hedging derivatives	613			**613**
Provisions	2		229	**231**
Other subornidated liabilities	304 536			**304 536**
Other liabilities	1 621	25	15 446	**17 092**
	310 874	**11 322**	**23 847**	**346 043**
Off balance sheet items				
Guarantees provided and other contingent liabilities				
Guarantees and sureties	1 078		31 011	**32 089**
Stand-by Letters of credit			1 353	**1 353**
Guarantees received		3 764	33 493	**37 257**
Commitments to third parties				
Irrevocable commitments			14 803	**14 803**
Revocable commitments	221	903	35 946	**37 070**
Responsabilities for services rendered				
Deposit and safeguard of assets	1 618 576	186 254	173 950	**1 978 780**
Other			2 362	**2 362**
Foreign exchange operations and derivative instruments				
Purchases	414 879			**414 879**
Sales	(414 178)			**(414 178)**
	1 620 576	**190 921**	**292 918**	**2 104 415**

[1] Includes the La Caixa Group led by the “Fundação Bancária La Caixa” and the companies controlled by it.

[2] Includes the Members of the Board of Directors, also including Allianz Europe Ltd, the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

The total assets, liabilities and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at December 31, 2016 are as follows:

	Associated and jointly controlled entities	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications and deposits	9 065		**9 065**
Financial assets held for trading and at fair value through profit or loss		142	**142**
Loans net of impairment	10		**10**
Other assets	22 856	303	**23 159**
	31 931	**445**	**32 376**
Liabilities			
Deposits and technical provisions	27 582	139 135	**166 717**
Resources of other credit institutions	2 534		**2 534**
Provisions	24		**24**
Other financial resources		60 056	**60 056**
Other liabilities	8	84 355	**84 363**
	30 148	**283 546**	**313 694**
Off balance sheet items			
Guarantees provided and other contingent liabilities			
Guarantees and sureties	12 613	60	**12 673**
Commitments to third parties			
Revocable commitments	5 134		**5 134**
Responsabilities for services rendered			
Deposit and safeguard of assets	1 093 720	1 155 890	**2 249 610**
	1 111 467	**1 155 950**	**2 267 417**

The total assets, liabilities and off-balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at December 31, 2016 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	Total
Assets				
Financial applications and deposits	12 531			**12 531**
Financial assets held for trading and at fair value through profit or loss	12 037	7 082	8 432	**27 551**
Financial assets available for sale	88	74 393	58 941	**133 422**
Loans net of impairment	10	76 351	287 113	**363 474**
Derivatives	930			**930**
Non-current assets held for sale and discontinued operations	44 821	22 820		**67 641**
Other assets		1	203	**204**
	70 417	**180 647**	**354 689**	**605 753**
Liabilities				
Deposits and technical provisions	596	187 535	14 791	**202 922**
Resources of other credit institutions	2 318			**2 318**
Coverage derivatives	73			**73**
Non-current liabilities held for sale and discontinued operations	1	17 532	467 269	**484 802**
Provisions	2	107	659	**768**
Other liabilities	3 231	2 901	6 910	**13 042**
	6 221	**208 075**	**489 629**	**703 925**
Off balance sheet items				
Guarantees provided and other contingent liabilities				
Guarantees and sureties	1 101	31 627	65 327	**98 055**
Open documentary credits			47 973	**47 973**
Guarantees received		51 857	47 878	**99 735**
Commitments to third parties				
Revocable commitments			72 159	**72 159**
Irrevocable commitments	210	13 487	47 979	**61 676**
Responsabilities for services rendered				
Deposit and safeguard of assets	749 727	276 576	185 884	**1 212 187**
Other			68 458	**68 458**
Foreign exchange operations and derivatives instruments				
Purchases	280 190			**280 190**
Sales	(283 084)			**(283 084)**
	748 144	**373 547**	**535 658**	**1 657 349**

[1] Includes the La Caixa Group led by the "Fundação Bancária La Caixa" and the companies controlled by it.

[2] Includes the Members of the Board of Directors, also including: (i) Allianz Europe Ltd, the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies; and (ii) Santoro Financial Holdings, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

The total profit or loss relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June, 30 2017 were as follows:

	Associated companies and joint control	BPI Group Pension Funds	Total
Profit or loss			
Financial margin (narrow sense)	(123)	(795)	**(918)**
Net commissions	22 156	1 430	**23 586**
General administrative expenses	(476)	(1 714)	**(2 190)**
Impairment losses and provisions for loans and guarantees	(5)		**(5)**
	21 552	**(1 079)**	**20 473**

The total profit or loss responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at June 30, 2017 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	Total
Profit or loss				
Financial margin (narrow sense)	(3 209)	(120)	1 974	**(1 355)**
Income from equity instruments			5 154	**5 154**
Net commission income	144	27	177	**348**
Net income on financial operations	(1)	113	1	**113**
Impairment losses and provisions for loans and guarantees	(4)	47	(225)	**(182)**
	(3 070)	**67**	**7 081**	**4 078**

[1] Includes the La Caixa Group led by the “Fundação Bancária La Caixa” and the companies controlled by it.

[2] Includes the Members of the Board of Directors, also including Allianz Europe Ltd, the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

The total profit or loss relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June, 30 2016 were as follows:

	Associated companies and joint control	BPI Group Pension Funds	Total
Profit or loss			
Financial margin (narrow sense)	133	(850)	**(717)**
Net commissions	21 966	1 296	**23 262**
General administrative expenses	(433)	(7 708)	**(8 141)**
	21 666	**(7 262)**	**14 404**

The total profit or loss responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at June 30, 2016 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	Total
Profit or loss				
Financial margin (narrow sense)	1 167	2 392	1 695	**5 254**
Income from equity instruments			1 961	**1 961**
Net commission income		67	51	**118**
Net income on financial operations	6	(2 354)	14	**(2 334)**
Impairment losses and provisions for loans and guarantees	11	122	184	**317**
	1 184	**227**	**3 905**	**5 316**

[1] Includes the La Caixa Group led by the "Fundação Bancária La Caixa" and the companies controlled by it.

[2] Includes the Members of the Board of Directors, also including: (i) Allianz Europe Ltd, the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies; and (ii) Santoro Financial Holdings, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

EMPLOYEE REMUNERATION AND OTHER BENEFITS

Indication of the annual amount of remuneration received, in aggregate and individually, by the members of the Company's management body, by the Company, including fixed and variable remuneration and, in relation to this, mention of the different components that gave rise to it.

In the first half of 2017 the fixed remuneration of the members of the Board of Directors amounted to 1 325 339 euro.

To this amount it must be added, specifically as regards fixed remuneration of the members of the Executive Commission, 19 400 euro relating to seniority and in the case of non-executive members, 70 300 euro relating to attendance allowance for their participation in meetings of the advisory and support committees of the Board of Directors as established in the statutes.

The individual amounts were as follows:

Amounts in euro

Board of Directors	Fixed Remuneration	Attendance Allowance	Seniority Payments	Long Service Premiums
Artur Santos Silva	63 000	18 500	n/a	n/a
Fernando Ulrich	234 477	n/a	4 499	n/a
Alfredo Rezende	24 500	11 100	n/a	n/a
António Lobo Xavier	24 500	3 700	n/a	n/a
Armando Leite de Pinho	8 166	n/a	n/a	n/a
Carla Sofia Bambulo	24 500	3 700	n/a	n/a
Carlos Moreira da Silva	8 166	n/a	n/a	n/a
Ignacio Alvarez Rendueles	24 500	14 800	n/a	n/a
João Pedro Oliveira Costa	165 556	n/a	1 968	n/a
José Pena do Amaral	165 556	n/a	3 655	n/a
Lluís Vendrell	24 500	3 700	n/a	n/a
Manuel Ferreira da Silva	165 556	n/a	3 655	n/a
Maria Celeste Hagatong	165 556	n/a	3 655	n/a
Mário Leite da Silva	12 250	n/a	n/a	n/a
Pedro Barreto	165 556	n/a	1 968	n/a
Tomás Jervell	24 500	n/a	n/a	n/a
Vicente Tardio Barutel	24 500	14 800	n/a	n/a

The Remuneration Committee decided to grant the members of the Executive Committee who were in office in 2016, variable remuneration for their performance in that year. As a result of that decision, in addition to the regular amounts of fixed income and attendance allowance (referred to in the above table) the members of the Executive Committee of the Board of Directors who were in office in 2016 were also remunerated in the first half of 2017 with the amounts detailed in the following table:

Variable remuneration (year 2016)

Amounts in euro

Executive Committee of the Board of Directors	Total	In cash	Variable remuneration stocks (deferred)
Fernando Ulrich	465 465	232 733	232 733
António Domingues[1]	53 335	53 335	
João Oliveira Costa	328 647	164 323	164 323
José Pena do Amaral	328 647	164 323	164 323
Manuel Ferreira da Silva [2]	328 647	164 323	164 323
Maria Celeste Hagatong	328 647	164 323	164 323
Pedro Barreto [3]	328 647	164 323	164 323

[1] Ceased functions by resigning on June 30, 2016.

[2] To the stated amount, 67 000 euros were deducted for the performance of functions in other companies representing the Bank.

[3] To the stated amount, 15 122 euros were deducted for the performance of functions in other companies representing the Bank.

Any amounts paid by other companies in a control or group relationship or who are subject to common domain.

With the exception of the Director Manuel Ferreira da Silva, for which part – in the amount of 127 822 euro – of the fixed remuneration referred to in the preceding paragraph was paid by Banco Português de Investimento, S.A., no other member of the Executive Committee received any remuneration from a Group company other than Banco BPI.

Compensation paid or owed to former executive directors in respect of early termination of service during the year.

In the first half of 2017 no payments were made for early termination.

Indication of the annual amount of remuneration received, in total and individually, by the members of the supervisory board of the Company for purposes of Law 28/2009 of June 19.

In the first half of 2017, the total remuneration of the members of the Supervisory Board was 99 400 euro. The amounts earned individually were as follows:

Amounts in euro

Supervisory Board	Fixed Remuneration
Abel Reis	36 400
Jorge Figueiredo Dias	31 500
Rui Guimarães	31 500

Remuneration of the Chairman of the Shareholders' General Meeting Board.

In the first half of 2017 the overall remuneration for exercising the function of Chairman of the Shareholders' General Meeting Board was 7 000 euro, paid in 7 instalments.

The members of the Shareholders' General Meeting Board do not benefit, as a result of this circumstance, from any retirement entitlement.

Pensions of the executive members of the Board of Directors

The Directors covered by the defined benefit pension plan and the liabilities related to this plan, on June 30, 2017, were as follows:

	Current	Retired	Total
Number of persons	9	4	13
Past service liabilities (t.euro)	16 466	12 736	29 202

If the remaining Directors of Banks of the BPI Group covered by a defined benefit pension plan are added to the previous table, the figures are the following:

	Current	Retired	Total
Number of persons	12	10	22
Past service liabilities (t.euro)	33 614	22 637	56 251

The pension rights acquired in the first half of 2017 related to retirement pensions of members of the Executive Committee amounted to 50 496 euros.

Loans to members of the Board of Directors

Mortgage loans

At June 30, 2017 the overall balance of mortgage loans granted to members of the Executive Committee of the Board of Directors for the purpose of acquiring their own homes amounted to 1 183 t. euro.

Credit lines for the exercise of RVA options and subscriptions of BPI shares in the capital increase realised in 2008

Banco BPI's Executive Directors (as well as its Employees) benefit from a credit line for the acquisition and maintenance in portfolio of BPI shares resulting from the exercise of options awarded under the RVA. At June 30, 2017, the balance of credit given to the members of Banco BPI's Executive Committee was 4 916 t. euro.

In 2008 a credit line was made available to the Directors of the Group companies (as well as to Employees and Retirees) who wished to subscribe for BPI shares in the capital increase to keep in the portfolio of shares thus acquired. At June 30, 2017 the credit line balance relating to the members of Banco BPI's Executive Committee was 873 t. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the 2008 capital increase
Balance at June 30, 2017

	Credit line for the exercise of options [1]	Credit line for subscription for BPI shares
Banco BPI Executive Committee	4 916	873
Directors of Banco Português de Investimento[2]	89	39
Managers and other employees	1 592	163
Total	6 597	1 075

[1] Financing obtained for maintenance of the BPI shares which resulted in the exercise of the RVA options.
[2] The members of the Executive Committee of the Board of Directors of Banco BPI are not included.

Employee remuneration and other benefits

The information provided in this section has the purpose of complying with the requirements of Bank of Portugal Notice 10/2011 and includes the universe of Employees covered in 2017 by the " Remuneration Policy of Holders of Essential Functions" in force.

In the first half of 2017, the universe defined above encompassed 50 employees.

In the first half of 2017, the aggregate remuneration of the universe referred to above amounted to 3 531 t. euro, relating only to fixed remuneration. Since no variable remuneration has yet been paid relating to 2017, the amounts disclosed refer to the variable remuneration paid in 2017 relating to 2016.

At June 30, 2017 the aggregate amount of annual pension rights acquired by the employees under review was 27 155 t. euro.

The breakdown of the remuneration and pension rights indicated above between the above-mentioned groups was the following (value in t. euro):

	1 – Responsible for risk taking	**2 – Responsible for the control functions**	**3 – Operational functions**	**4 - Trading/Sales**	**TOTAL**
Nº Employees	15	3	28	4	50
Fixed remuneration	1 288	168	1 872	203	3 531
Variable remuneration paid [1]	664	105	944	127	1 840
Deferred variable remuneration [1]	395		418	103	916
Responsability paid	5 334	468	7 278	202	13 282

[1] For de financial year 2016.

No new employees were recruited in the first half of 2017 who fall within this universe.
No payments were made in the first half of 2017 for early termination of employment contracts.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholdings of the members of the Board of Directors at June 30, 2017 were as follows:

	Shares								
	Held at Dec. 31, 16	**Purchases**	**Sales**	**Held at Jun. 30, 17**	**Value at Dec. 31, 16 [1]**	**Shares pledged in guarantee A**	**Shares pledged in guarantee B**	**Loans C**	**Loans D**
Artur Santos Silva	500 000		400 000	100 000	105				
Fernando Ulrich [2 3]	2 092 180		58 724	2 033 456	2 139	1 585 040	348 510	4 173	719
Alfredo Rezende de Almeida	2 250 000		2 240 000	10 000	11				
António Lobo Xavier									
Armando Costa Leite de Pinho [4]									
Carla Bambulo									
Carlos Moreira da Silva [4]	66 333			66 333	70				
Gonzalo Gortázar									
Ignacio Alvarez-Rendueles									
Isidro Fainé Casas [7]									
João Pedro Oliveira e Costa [2]	10 708	33 710	44 418						
José Pena do Amaral [2]	184 913		184 913					169	
Llluís Vendrell									
Manuel Ferreira da Silva [2 5]	930 884	10 884	941 768						
Maria Celeste Hagatong [2 6]	885 151		477 835	407 316	428				
Mário Leite da Silva [7]									
Pablo Forero									
Pedro Barreto [2]	500 000			500 000	526	378 399	94 600	615	154
Tomás Jervell									
Vicente Tardio Barutel									
Santoro Finance - Prestação de Serviços, S.A.	270 643 372		270 643 372						

A - Shares which at June 30, 2017 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA programme
B - Shares which at June 30, 2017 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.
C - Amount owed at June 30, 2017 on the loan referred to in A.
D - Amount owed at June 30, 2017 on the loan referred to in B.
[1] Fair value of the shares.
[2] Member of the Executive Committee.
[3] Includes 58 724 shares held by the spouse, sold on the Public Tender Offer of CaixaBank on February 8, 2017.
[4] Ceased functions by resigning on February 28, 2017.
[5] Includes 271 768 shares held by the spouse, (of which 10 884 were granted as a result of the conversion of 44 371 options of the RVA 2013), sold on the Public Tender Offer of Caixa Bank on February 8, 2017.
[6] Includes 407 316 shares held by the spouse.
[7] Submitted his resignation on February 7, 2017, that is effective as from March 31, 2017.

In accordance with the terms of article 477 of the Commercial Company Code, the shareholder position of the members of the Board of Directors in terms of options held at June 30, 2017 were as follows:

	Options			
	Held at Dec. 31, 16	Purchases	Exercise[1]	Held at Jun. 30, 17
Artur Santos Silva				
Fernando Ulrich [2]				
Alfredo Rezende de Almeida				
António Lobo Xavier				
Armando Costa Leite de Pinho [3]				
Carla Bambulo				
Carlos Moreira da Silva [3]				
Gonzalo Gortázar				
Ignacio Alvarez-Rendueles				
Isidro Fainé Casas [5]				
João Pedro Oliveira e Costa [2]	127 249		127 249	
José Pena do Amaral [2]	358 530			358 530
Llluís Vendrell				
Manuel Ferreira da Silva [2 4]	402 901		44 371	358 530
Maria Celeste Hagatong [2]				
Mário Leite da Silva [5]				
Pablo Forero				
Pedro Barreto [2]	358 530			358 530
Tomás Jervell				
Vicente Tardio Barutel				
Santoro Finance - Prestação de Serviços, S.A.				

[1] Includes extinction by lapsing.
[2] Member of the Executive Committee.
[3] Ceased functions by resigning on February 28, 2017.
[4] Includes 44 371 shares held by the spouse, sold on the Public Tender Offer of Caixa Bank on February 8, 2017.
[5] Submitted his resignation on February 7, 2017, that is effective as from March 31, 2017.

In accordance with the terms of article 477 of the Commercial Company Code, the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investimento, in terms of the shares held at June 30, 2017 were as follows:

	Acções								
	Held at Dec. 31, 16	Purchases	Sales	Held at Jun. 30, 17	Value at Jun. 30, 17[1]	Shares pledged in guarantee A	Shares pledged in guarantee B	Loans C	Loans D
Alexandre Lucena e Vale [2]	155 308	29 756	125 780	59 284	62	40 594	18 690	89	39
Fernando Costa Lima	212 778	15 948		228 726	241				
Ana Spratley Ferreira [3]									
Bruno Miguel Silva [3]									
Luís Graça Moura [3]									
Pedro Monteiro Coelho [3]									
Rui Carlos Lopes [4]									

A - Shares which at June 30, 2017 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA programme.

B - Shares which at June 30, 2017 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.

C - Amount owed at June 30, 2017, on the loan referred to in A.

D - Amount owed at June 30, 2017, on the loan referred to in B.

[1] Fair value of the shares.

[2] Ceased functions by resigning on May 8, 2017, so the final position reports to that date.

[3] Started functions on May 9, 2017, the initial position refers to this date.

[4] Started functions on May 9, 2017, the initial position refers to this date. Ceased functions by resigning on August 31.

In accordance with the terms of article 477 of the Commercial Company Code, the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investimento, in terms of the options held at June 30, 2017 were as follows:

	Options			
	Held at Dec. 31, 16	Purchases	Exercise[1]	Held at Jun. 30, 17
Alexandre Lucena e Vale [2]	121 305		121 305	
Fernando Costa Lima	65 012		65 012	
Ana Spratley Ferreira [3]				
Bruno Miguel Silva [3]				
Luís Graça Moura [3]				
Pedro Monteiro Coelho [3]				
Rui Carlos Lopes [4]				

[1] Includes extinction by lapsing.

[2]Ceased functions by resigning on May 8, 2017, so the final position reports to that date.

[3] Started functions on May 9, 2017, the initial position refers to this date.

[4] Started functions on May 9, 2017, the initial position refers to this date. Ceased functions by resigning on August 31.

In accordance with the terms of article 477 of the Commercial Company Code (*Código das Sociedades Comerciais*), the shareholding position of the other directors of Banco BPI, in terms of shares and options held at June 30, 2017 were as follows:

	Shares[1]					Options[1]			
	Held at Dec. 31, 16	Purchases	Sales	Held at Jun. 30, 17	Jun. 30, 17[2]	Held at Dec. 31, 16	Purchases	Exercise[3]	Held at Jun. 30, 17
Manuel Maria Meneses	114 179	10 475	124 654			42 702		42 702	
Francisco Xavier Avillez	200 001	90 752	290 753			314 410		314 410	
Susana Trigo Cabral	38 181		38 181						
Luis Ricardo Araújo	52 000	83 425	62 514	72 911	77	134 152		134 152	
Graça Graça Moura [4]	31 125		31 125						
Ana Rosas Oliveira [5]	22 098	16 412	38 510			51 306		51 306	
João Avides Moreira	20 892	41 191	62 083			61 240		61 240	

[1] Includes securities held by their spouses.
[2] Fair value of shares
[3] Includes extinction by lapsing.
[4] Includes 18 574 shares held by the spouse, sold in the Public Tender Offer of CaixaBank on February 8, 2017.
[5] Includes 7 177 shares held by the spouse, (of which 2 518 were granted as a result of the conversion of 7 871 options of the RVA 2012), sold in the Public Tender Offer of CaixaBank on February 8, 2017.

Artur Santos Silva

On February 8, 2017 sold 400 000 shares at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Fernando Ulrich
Has not traded any shares.
On February 8, 2017 his spouse sold 58 724 shares at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Alfredo Rezende de Almeida
On February 8, 2017 sold 2 240 000 shares at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

António Lobo Xavier
Does not hold and has not traded any Banco BPI shares.

Armando Costa Leite de Pinho
Ceased functions by resigning on February 28, 2017. Has not traded any shares until that date.

At December 31, Arsopi – Holding, SGPS, S.A., of which he is the President of the Board of Directors, owned 2 942 267 shares of Banco BPI, which were sold on February 8, 2017 at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

At December 31, ROE, SGPS, S.A., of which he is the President of the Board of Directors, owned 4 442 291 shares of Banco BPI, which were sold on February 8, 2017 at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

At December 31, ROE, SGPS, S.A., of which he is the President of the Board of Directors, owned 3 414 404 shares of Banco BPI, which were sold on February 8, 2017 at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Carlos Moreira da Silva
Ceased functions by resigning on February 28, 2017. Has not traded any shares until that date.

Carla Bambulo
Does not hold and has not traded any Banco BPI shares.

At June 30 Allianz Europe, Ltd. owned 120 553 986 of Banco BPI shares, representing 8.27% of its share capital.

Gonzalo Gortázar
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares.

Is the Chief Executive Officer of CaixaBank, S.A., which owns 1 231 250 696 Banco BPI shares at June 30, 2017, representing 84.51% of its share capital.

Ignacio Alvarez Rendueles
Does not hold and has not traded any Banco BPI shares.
For further information about the transactions and the participation of CaixaBank, S.A. in Banco BPI's share capital, see the information above concerning Gonzalo Gortázar.

João Pedro Oliveira e Costa
On February 3, 2017 he was attributed 10 708 and 23 002 Banco BPI shares, as a consequence of the conversion of 33 476 options of RVA 2012 and 93 773 options of RVA 2013, respectively.

On February 8, 2017 sold 44 418 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

José Pena do Amaral

On February 8, 2017 sold 184 913 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Lluís Vendrell
Does not hold and has not traded any Banco BPI shares.
For further information about the transactions and the participation of CaixaBank, S.A. in Banco BPI's share capital, see the information above concerning Gonzalo Gortázar.

Manuel Ferreira da Silva

On February 8, 2017 sold 670 000 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

On February 3, 2017 were attributed to his spouse 10 884 Banco BPI shares, resulting from the conversion of 44 371 options of RVA 2013.

On February 8, 2017 his spouse sold 271 768 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Maria Celeste Hagatong
On February 8, 2017 sold 477 835 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

At June 30, 2017 her spouse held 407 316 shares of Banco BPI.

Mário Leite da Silva
Ceased functions by resigning on March 31, 2017. Has not traded any shares until that date.

Is President of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. and President of the Board of Directors of Santoro Financial Holdings, SGPS, S.A. which has full control over it.

On February 8, 2017 sold 270 643 372 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Pablo Forero
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares.

For further information about the transactions and the participation of CaixaBank, S.A. in Banco BPI's share capital, see the information above concerning Gonzalo Gortázar.

Pedro Barreto
Has not traded any shares.

Tomás Jervell
Does not hold and has not traded any Banco BPI shares.

Vicente Tardio Barutel
Does not hold and has not traded any Banco BPI shares.

Alexandre Lucena e Vale
On February 3, 2017 were attributed to him 29 756 Banco BPI shares, resulting from the conversion of 121 305 options of RVA 2013.

On February 8, 2017 sold 125 780 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Fernando Costa Lima
On February 3, 2017 were attributed to him 15 948 Banco BPI shares, resulting from the conversion of 65 012 options of RVA 2013.

Ana Spratley Ferreira
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares between that date and June 30, 2017.

Bruno Miguel Silva
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares between that date and June 30, 2017.

Luís Graça Moura
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares between that date and June 30, 2017.

Pedro Monteiro Coelho
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares between that date and June 30, 2017.

Rui Carlos Lopes
Started functions on May 9, 2017. Does not hold and has not traded any Banco BPI shares between that date and June 30, 2017.

Manuel Maria Meneses
On February 3, 2017 were attributed to him 10 475 Banco BPI shares, resulting from the conversion of 42 702 options of RVA 2013.

On February 8, 2017 sold 124 654 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Francisco Xavier Avillez
On February 3, 2017 were attributed to him 58 459 and 32 293 shares of the Bank, resulting from the conversion of 182 762 options of RVA 2012 and 131 648 options of RVA 2013, respectively.

On February 8, 2017 sold 290 753 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Susana Trigo Cabral
On February 8, 2017 sold 38 181 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Luís Ricardo Araújo
On February 2, 2017 acquired 62 514 shares, through the exercise of an equal number of options under the RVA 2011 atributted on May 28, 2012 at an exercise price of 0.358 euro (adjusted for capital increases) defined at the moment of attribution.

Sold on February 2, 62 514 shares at the price of 1.132 euro.

On February 3, 2017 were attributed to him 14 319 and 6 592 shares of the Bank, resulting from the conversion of 44 766 options of RVA 2012 and 26 872 options of RVA 2013 options, respectively.

Graça Graça Moura
On February 8, 2017 sold 12 551 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

On February 8, 2017 her spouse sold 18 574 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

Ana Rosas Oliveira
On February 3, 2017 were attributed to her 13 894 shares of the Bank, resulting from the conversion of 43 435 options of RVA 2012.

On February 8, 2017 sold 31 333 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

On February 3, 2017 were attributed to her spouse 2 518 shares of the Bank, resulting from the conversion of 7 871 options of RVA 2012.

On February 8, 2017 her spouse sold 7 177 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

João Avides Moreira
On February 2, 2017 acquired 32 962 shares, through the exercise of an equal number of options under the RVA 2011 atributted on May 28, 2012 at an exercise price of 0.358 euro (adjusted for capital increases) defined at the moment of attribution.

Sold on February 2, 32 962 shares at a price of 1.132 euros.

On February 3, 2017 were attributed to him 5 543 and 2 686 shares of the Bank, resulting from the conversion of 17 329 options of RVA 2012 and 10 949 options of RVA 2013, respectively.

On February 8, 2017 sold 29 121 shares of Banco BPI at the price of 1.134 euro under the Public Tender Offer launched by CaixaBank, S.A.

4.51 Other events

Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On August 3, 2014, the Bank of Portugal (*Banco de Portugal*) applied a resolution measure to Banco Espírito Santo, S.A. (BES) pursuant to paragraph b) of number 1 of article 145 C of the General Regulation of Credit Institutions and Companies (RGICSF), in the form of a partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated by a decision of the Bank of Portugal on the same date. As part of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to 4 900 000 t. euros, becoming the sole shareholder.

In this context, the Resolution Fund contracted loans amounting to 4 600 000 t.euro, of which 3 900 000 t.euro granted by the Portuguese State and a syndicated loan of 700 000 t.euro granted by a group of credit institutions to which the Bank contributed with 116 200 t.euro.

On December 29, 2015, the Bank of Portugal issued a public anouncement that it had "(...) adjusted the scope of assets, liabilities, off-balance sheet items and assets under management transferred to Novo Banco, among which:

a. The clarification that no responsibilities that were contingent or unknown were transferred to Novo Banco at the date of application of the resolution measure to Banco Espírito Santo, S.A.;

b. The retransfer of the share capital in BES Finance to Banco Espírito Santo, S.A., which is necessary to ensure full compliance with and enforcement of the resolution measure regarding the non-transfer to Novo Banco of subordinated debt instruments issued by Banco Espírito Santo, S.A.;

c. The clarification that the Resolution Fund is responsible for neutralizing, through compensating Novo Banco, the possible adverse effects of future decisions, resulting from the resolution process, which result in liabilities or contingencies.

At July 7, 2016, the Resolution Fund stated that it would analyze and evaluate the diligencies required following the publication of the results regarding the independent evaluation, carried out to estimate the level of credit recovery for each class of creditors under a hypothetical scenario of a normal insolvency process of BES.

According to the applicable law, if, at liquidation proceeding of BES, creditors whose claims have not been transferred to Novo Banco, suffer a loss greater than they would have been hypothetically if BES had gone into liquidation proceedings immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund.

Finally, there have been public notices that judicial proceedings against the Resolution Fund have been initiated.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On December 19, 2015, the Board of Directors of the Bank of Portugal declared that Banif was at risk or in an insolvency situation (failing or likely to fail) and decided to commence a process of urgent resolution of the institution in the form of partial or total sale of its activity, which ended in the sale of Banif's activity on December 20, 2015 to Banco Santander Totta, S.A. (BST) for an amount of 150 000 t.euro.

Most of the assets not subject to the sale were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, the sole shareholder of which is the Resolution Fund. As a way of offsetting this transference, Oitante issued debt securities of 746 000 t.euro, having been given a guarantee by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved additional support of around 2 255 000 t.euro to cover future contingencies, of which 489 000 t. euro by the Resolution Fund and 1 766 000 t.euro directly by the Portuguese State. The referred state support is deducted from the amount due by BST for the acquisition of the set of assets, liabilities and activity of former Banif. The amount of 489 000 t.euro granted by the Resolution Fund was funded by a loan granted by the Portuguese State.

General Matters

Following the resolution measures applied to Banco Espírito Santo, S.A. and Banif, S.A., the Resolution Fund currently holds the entire share capital of Novo Banco, S.A. and of Oitante, S.A..

In order to reimburse the loans obtained by the Resolution Fund and any other responsibilities that the Resolution Fund may have to take on with respect to the above-mentioned resolution measures, the Resolution Fund is entitled essentially to the contributions of participating credit institutions (including the Bank) and to the contribution of the banking sector.

From 2013 to 2016, contributions to the Resolution Fund were made in the form of initial contributions, periodic contributions and contribution over the banking sector. In 2016, Bank made periodic contributions to the Resolution Fund and over the banking sector in the amounts of 3 205 t.euro and 16 476 t.euro, respectively.

By a public statement on September 28, 2016, the Resolution Fund announced that it had agreed with the Portuguese Ministry of Finance to revise the terms of the 3 900 000 t.euro loan originally granted by the Portuguese State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extention of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Portuguese Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the maturity adjustment of Portuguese State and bank loans to the Resolution Fund in order to maintain the current levels of the required effort regarding the contribution over the banking sector.

According to the communication of the Resolution Fund on March 21, 2017:

- “The terms of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and Banif - Banco Internacional do Funchal, S.A. were changed." These loans amount to 4 953 million euros, of which 4 253 million euros granted by the Portuguese State and 700 million euros granted by a group of banks, of which 116 million euros were granted by the Bank.

- "Those loans now mature in December 2046, without prejudice to the possibility of early redemption based on the use of proceeds from the Resolution Fund. The maturity will be adjusted in such terms that guarantee the ability of the Resolution Fund to fully meet its obligations based on regular revenues and without the need for special contributions or any other extraordinary contributions." The liabilities arising from contracts signed in by the Resolution Fund with the Portuguese State and a group of banks in accordance with the resolution measures of BES and Banif compete in *pari passu* among themselves.

- "The review of the terms of the loans aimed to ensure the sustainability and financial balance of the Resolution Fund, on the basis of a stable, predictable and sustainable burden for the banking sector”.

- “The new conditions allow for the full payment of the Resolution Fund's liabilities and respective remuneration, without the need for special contributions or any other additional contributions from the banking sector.”

On March 31, 2017, the Bank of Portugal made a communication in which was stated, among others, the following aspects:

- “Bank of Portugal today selected LONE STAR to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction.”

- “Through the capital injection, LONE STAR will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital.”
- “The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in case certain cumulative conditions are to be met related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.”
- “The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.”
- “The completion of the sale is conditional on the customary regulatory approvals (including by the European Central Bank and the European Commission) and on a liability management exercise covering the senior bonds of Novo Banco and subject to bondholders’ acceptance having created CET1 of at least € 500 million.”

On July 7, 2017, the European Comission decided not to oppose the notified concentration and to declare it compatible with the internal market.

Additionally, Novo Banco announced on July 24, 2017, a tender offer operation for the acquisition of several senior debt issues issued directly and indirectly by Novo Banco, with the purpose of strengthening its equity capital, an operation provided for in the sale process to Lone Star announced on March 31. The cash offer provides for the purchase of securities with a minimum nominal amount of 6,276 million euros, of which at least 1,000 million issued by the London Branch of Novo Banco and is accompanied by an operation of consent solicitation for early redemption.

Additionally, it should be mentioned that on September 1, 2017, Banco Comercial Português, S.A., announced the following: “*Banco Comercial Português informs that, after having conveyed reservations regarding the contigent capitalization obligation by the Portuguese Resolution Fund which was announced to be included in a sale agreement of Novo Banco, has decided, in light of the legal deadline and for caution, to request the respective appreciation through administrative legal proceedings.*

This diligence, which centres exclusively on the referred capitalization obligation, does not comprise the request by the Bank of, nor entail, the production of any suspensive effects on the sale of Novo Banco, S.A. and, consequently, brings legally no impediment to such sale within the foreseen delays.”

Currently it is not possible to predict the possible effects for the Resolution Fund arising from: (i) the sale of the participation in Novo Banco (particularly given that the sale is not yet completed); (ii) the application of the principle that no creditor from the credit institution under resolution may incur in a loss greater than it would have if the institution had entered into liquidation; (iii) the guarantee provided to the obligations issued by Oitante; and (iv) other liabilities to be assumed by the Resolution Fund.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, considering the recent developments regarding the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including the Bank, and the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance which indicate that this possibility will not be used, the financial statements as of June 30, 2017 reflect the Board of Directors’ expectation that the Bank will not be required to make any special or extraordinary contribution to finance the resolution measures applied to BES and Banif.

Possible changes regarding these subjects may have implications in the Bank's financial statements.

Public Tender Offer over Banco BPI S.A. shares

On April 18, 2016 CaixaBank, S.A., holder on that date of 44.1% of the share capital of Banco BPI, published a preliminary announcement of a public, general and voluntary tender offer (the Offer) covering all shares of Banco BPI, at the price of 1.113 euro per share.

The launch of the Offer was subject to the following conditions set out in paragraph 11 of the preliminary announcement:

a) obtaining the prior registration of the Offer with the Portuguese Securities Market Commission (CMVM), in accordance with article 114 of the Securities Market Code (*Código dos Valores Mobiliários*) at a price of 1.113 euro per share;

b) Obtaining the approvals, non-oppositions and administrative authorisations required under Portuguese, European or foreign law that may apply to the Offer, namely those described in paragraph 11 of the preliminary announcement.

Once launched, in the terms of paragraph 12 of the preliminary announcement, the effectiveness of the Offer was subject to the verification of the following conditions:

a) elimination, on the closing date of the Offer, and even if subject to the Offer's success, of the limitation to the counting or exercise of voting rights at the Shareholders' General Meetings when issued by a single shareholder as established under items 4 and 5 of article 12 of the Statutes of Banco BPI, S.A., in the current text, so that there is no limit to the counting or exercise of voting rights issued by a single shareholder, directly or through a representative, in his / her own name or as representative of another shareholder; and

b) the acquisition by CaixaBank, up to the date and as a result of the physical and financial settlement of the Offer, of a number of shares which, together with Banco BPI shares held by CaixaBank at the date of the preliminary announcement represent more than 50% (fifty percent) of the share capital and voting rights corresponding to the total shares of Banco BPI.

c) declaration by the Portuguese Securities Market Commission of derogation of the duty to launch a subsequent offer, as a result of the acquisition of shares under the Offer, in accordance with item 1 of paragraph a) and item 2 of article 189 of the Securities Market Code, even if subordinated to the subsistence of the respective assumptions.

On May 17, 2016 the Board of Directors of Banco BPI, S.A. published its report, prepared in accordance with the terms of item 1, article 181 of the Securities Market Code, on the opportunity and conditions of the Offer. The report is available on the website of the Portuguese Securities Market Commission and of the Bank.

Following the approval on the Shareholders' General Meeting of September 21 related to the removal of the single shareholder voting cap, the Portuguese Securities Market Commission determined that according to the terms of the law, the voluntary public tender offer presented by the shareholder CaixaBank, S.A, which held a 45.5% of the share capital and whose exercise of voting rights was limited to 20% of the share capital prior to this date, was now a mandatory public tender offer.

On September 21, 2016, CaixaBank published a revised preliminary announcement of a general and mandatory tender offer for the acquisition of the shares of Banco BPI, S.A. at a price of 1.134 euro per share.The launch of the Offer was subject to the following conditions set in item 11 of the preliminary announcement:

a) Obtain the non-opposition of the European Central Bank, pursuant to articles 102 and 103 of the General Framework for Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92, of December 31, as amended ("RGICSF") and the applicable provisions of Directive no. 2013/36/EU, of the Parliament and the Council of June 26, 2013, of (EU) Regulation nº 1024/2013, of the Council, of October 15, 2013 and of (EU) Regulation no. 468/2014, of the European Central Bank, of April 16, 2014;

b) Obtain the non-opposition of the Portuguese Insurance and Pension Funds Supervisory Authority, pursuant to Article 44 of Decree-Law no. 94-B/98, of April 17, 1998, as amended, and Article 38(2) of Decree-Law 12/2006, of January 20, 2006, as amended;

c) Obtain the approval of the European Commission, pursuant to Regulation (EC) no. 139/2004, of the Council, of January 20 of 2004, regarding the control of concentrations between undertakings;

d) Obtain the authorization of Bank de Spain (Banco de España) for the acquisition of a significant indirect shareholdings of CaixaBank in Banco Fomento de Angola, S.A. ("BFA"), in Banco de Comércio e Investimentos, S.A. ("BCI") and in Banco BPI Cayman Ltd.;

e) Obtain the non-opposition of the Commission de Surveillance du Secteur Financier of the Grand-Duchy of Luxembourg ("CSSF") for the acquisition of a qualified indirect shareholding of CaixaBank in the Luxembourg asset management company "BPI Global Investment Fund Management Company S.A.";

f) Obtain the non-opposition of the Cayman Islands Monetary Authority of the Cayman Islands ("CIMA") for the acquisition, by CaixaBank, of control in the branch of BPI in Cayman Islands and of a qualified indirect shareholding in Banco BPI Cayman Ltd.;

g) Obtain the authorization of the National Bank of Angola (*Banco Nacional de Angola)* for the acquisition of a qualified indirect holding of CaixaBank in BFA;

h) Obtain the authorization of the Bank of Mozambique (*Banco de Moçambique*) for the acquisition of a qualified indirect holding of CaixaBank in BCI; and

i) Obtain prior registration of the Offer with the Portuguese Securities Market Commission (“CMVM”), pursuant to article 114 of the Securities Market Code, with a consideration of 1.134 euro (one euro and thirteen comma four cents) for Share.

On October 13, 2016, the Board of Directors of Banco BPI presented its report, prepared under the terms of item 1 of article 181 of the Securities Market Code, on the opportunity and terms of the Offer. This report was made available on the website of the Portuguese Securities Market Commission and on the Bank’s website.

After the conditions presented on the preliminary announcement were verified, on January 16, 2017, CaixaBank published the Launch Announcement of the General and Mandatory Tender Offer for the acquisition of the shares representing the share capital of Banco BPI, at a price of 1.134 euro per share, and the corresponding Prospectus.

The Offer took place between January 17, 2017 (beginning at 8:30 am) and February 7, 2017 (up to 3:30 pm), after which, on February 8, 2017 took place the Special Session of Regulated Market destined to present the results of the Offer.

Within this context, it was disclosed that during the Offer, CaixaBank acquired shares representing 39.01% of the voting rights of Banco BPI, which, considering the participation already held before the Offer – 45.50% - determined CaixaBank to be the holder of a share capital representing 84.51% of the voting rights of Banco BPI.

5. NOTE ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statement

DECLARATION REFERRED TO IN ARTICLE 246 (1) C) OF THE SECURITIES CODE

Article 246 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of the Executive Committee of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows:

"I declare in the terms and for the purposes for article 246 (1) (c) of the Securities Code that, to the best of my knowledge, the financial statements and the directors' report of Banco BPI, S.A., relating to the 1st half of 2017, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report contains an indication of the important events which occurred in the 1st half of 2017 and their impact on the respective financial statements, as well as a description of the principal risks and uncertainties for the six following months."

Pablo Forero Calderon	(Chairman)
José Pena do Amaral	(Member)
Pedro Barreto	(Member)
João Pedro Oliveira e Costa	(Member)
Alexandre Lucena e Vale	(Member)
António Farinha de Morais	(Member)
Francisco Manuel Barbeira	(Member)
Ignacio Alvarez Rendueles	(Member)

Porto, 26 September 2017

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AUDIT REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in case of discrepancies, the original version in Portuguese prevails – Note 5)

REPORT ON THE AUDIT OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying interim consolidated financial statements of Banco BPI, S.A. ("Bank" or "Banco BPI") and of its subsidiaries ("the Group"), which comprise the consolidated Balance Sheet as of June 30, 2017 (that presents a total of 32,751,404 t.euros and total equity of 2,562,318 t.euros, including a consolidated net loss attributable to the shareholders of the Bank of 101,725 t.euros), the Interim Consolidated Statements of Income, Profit and Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the six-month period then ended, and the Notes to the interim consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and its subsidiaries as of June 30, 2017 and its consolidated financial performance and cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the interim consolidated financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim consolidated financial statements for the six-month period ended on June 30, 2017. Those matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Loss of control over Banco de Fomento Angola, S.A. and valuation of the retained participation (Notes 4.9 and 4.12)

In October 2016 Banco BPI entered into an agreement for the sale of 2% of the share capital of Banco de Fomento Angola, S.A. (BFA), whose execution, on January 5, 2017, implied the reduction of the BPI Group's participation in BFA from 50.1% to 48.1%. Following this operation, the management understands that as from the date of its execution, Banco BPI ceased to control BFA, in accordance with IFRS 10 - Consolidated Financial Statements (IFRS 10). According to IFRS 10, in the context of recording the loss of control, the 48.1% interest retained by Banco BPI in BFA was initially recognized by its estimated fair value. Considering that Banco BPI maintained significant influence over the decisions on BFA's financial and operating policies, the participation retained by Banco BPI in BFA was subsequently measured using the equity method, in accordance with the requirements of IAS 28 - Investments in Associates and Joint Ventures. On June 30, 2017, the book value of the 48.1% participation in BFA held by Banco BPI amounts to 492,065 t.euros, and the contribution of BFA's net income to the consolidated net income for the six-month period then ended was 106,671 t.euros. In addition, the consolidated net income for the six-month period ended on June 30, 2017 also includes the impact of the sale of 2% of the participation in BFA and the consequent loss of control, that resulted in a total loss of 212,298 t.euros, which includes the reclassification to profit and loss of the negative foreign exchange reserves generated in prior years, in the amount of 182,121 t.euros.	Our audit procedures to address the identified risks of material misstatement included: • Analysis of the Bank's internal control procedures in the context of recording unusual transactions. • Obtention and analysis of the documentation related to the sale of 2% of BFA's share capital. • Obtaining the analysis prepared by the Bank with respect to the impact of the loss of control over BFA. • Analysis of the accounting treatment and impact of this transaction in the consolidated accounts of the Bank, considering the requirements of the International Financial Reporting Standards as adopted by the European Union (IFRS). • Analysis of the application of the equity method for the valuation of the participation retained by Banco BPI in BFA as of June 30, 2017; • Preparation and delivery of audit instructions to the BFA auditors, follow-up of the work performed and analysis of the respective conclusions, as expressed in the reporting documents issued by these auditors; • Obtention and analysis of the study prepared by the Bank to assess the existence of any evidence of impairment applicable to the participation held in BFA as of June 30, 2017, in order to assess the reasonableness of the assumptions considered and the results obtained;

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Loss of control over Banco de Fomento Angola, S.A. and valuation of the retained participation (Notes 4.9 and 4.12) (continued)

To the extent that the identification and recording of the loss of control over BFA constitutes a relevant non-recurring event and that this transaction and the subsequent valuation of the retained holding have a significant impact on Banco BPI's interim consolidated financial statements, this area was considered as a key audit matter.	• Review of the disclosures related to the sale of 2% of the share capital of BFA and consequent loss of control, and to the subsequent valuation of the retained participation included in the interim consolidated financial statements as of June 30, 2017, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Impairment for loans to customers (Notes 2.3.4, 2.16, 4.7, 4.21 and 4.47)

The accumulated impairment losses for loans and provisions for guarantees and other commitments recorded by the Bank ("impairment losses") as of June 30, 2017 amount to 674,108 t.euros and 20,557 t.euros, respectively. Impairment losses represent the Bank's Managements' best estimate of the losses incurred on its loan portfolio at the reference date of the interim consolidated financial statements. These impairment losses are determined through individual analysis for credits of significant amount or that present specific risk characteristics and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, considering the segmentation of the loan portfolio and the criteria defined by the Bank as described in the Main Accounting Policies of the Notes to the interim consolidated financial statements.	Our audit procedures to address the identified risks of material misstatement included: • Analysis of the internal control procedures implemented by the Bank and considered relevant in the process of identification and determination of impairment losses for its loan portfolio and its adequacy in relation to the risks that are intended to be mitigated. • Review of the reconciliation between the inventories of loan operations and related impairment which are included in the IT solution that supports the calculation of impairment losses and the corresponding accounting balances. • Selection of a sample of clients subject to individual impairment analysis by the Bank, based on the size of the exposure, on characteristics that indicate potential higher risk of occurrence of deviation on the individual impairment assessment as well as on random factors. • For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the consolidated financial statements based on the review of the Bank's judgments on the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and about the future management of those loans by the Bank.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Impairment for loans to customers (Notes 2.3.4, 2.16, 4.7, 4.21 and 4.47) (continued)

The determination of impairment losses through individual analysis has an inherent strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the recoverable amount expected by the Bank, that incorporates also assumptions about future events that may not occur as expected. On the other hand, collective impairment is based on a model with a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely operations characteristics, the value of collateral and risk parameters, such as the probability of a performing loan showing signs of impairment, probability of transition to default and loss given default. Different assumptions or methodologies used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, which may have a relevant impact on the determination of impairment. Considering this is an area in which Management has to make estimates that incorporate a high degree of subjectivity or some complexity, as well as the materiality of the involved amounts in the context of the Bank's consolidated financial statements, impairment for loans to customers was considered as a key audit matter.	• Regarding the collective impairment model: (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters. • Review of the disclosures included in the interim consolidated financial statements related to impairment for loans to customers, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor’s response to the assessed risks of material misstatement

Liabilities with retirement pensions of pensioners and employees (Notes 2.7.1, 2.8, 2.16, 4.25, 4.26 and 4.41)

The Group assumed the responsibility of paying to its pensioners and employees retirement pensions and other associated benefits under the terms defined in the Collective Labour Agreement (CLA) of the Banking Sector. As of June 30, 2017 the Group’s liabilities for past services of its pensioners and employees with retirement pensions and other benefits amount to 1,540,699 t.euros. The Group's liabilities associated with the defined benefit plans as of June 30, 2017 were determined by the responsible actuary, based on projections of the amounts in the actuarial valuation at December 31, 2016. A set of actuarial assumptions were considered, including discount rate, wage and pensions growth rate and mortality table. During the first half of 2017, the Group conducted a program of early retirements and voluntary terminations, under which it has incurred total costs of 106,358 t.euros, that includes, regarding the defined benefit liabilities, an increase, net of reductions, of past service liabilities amounting to 42,095 t.euros. Any changes in actuarial assumptions may have a relevant impact in the liabilities with past services related to pensions. Considering the importance of the actuarial assumptions for the purposes of determining liabilities with past services related to pensions in the context of the Bank's consolidated interim financial statements, this area was considered as a key audit matter.	Our audit procedures to address the identified risks of material misstatement included: • Analysis of the relevant internal control procedures implemented by the Bank in determining the main actuarial assumptions used in the calculation of liabilities with past services related to pensions. • Verification of the existence of registration of the responsible actuary within the Insurance and Pension Funds Supervisory Authority (“Autoridade de Supervisão de Seguros e Fundos de Pensões” (ASF)) and confirmation that its independence statement included in the actuarial study of December 31, 2016, as provided in the Regulatory Standard No. 7/2007-R, of May 17, of the ASF, remains applicable as of June 30, 2017. • Reading the actuarial study with reference to June 30, 2017 and discussion with the responsible actuary of the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, considering: (i) the actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the interim consolidated financial statements of the Bank regarding these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Recoverability of deferred tax assets (Notes 2.13, 2.16 and 4.43)

As of June 30, 2017, the Group's interim consolidated balance sheet includes deferred tax assets in the amount of 443,188 t.euros, of which 214,608 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including: • 97,547 t.euros related to impairment losses for loans and guarantees; • 64,230 t.euros related to employee benefits (actuarial deviations, transfer of liabilities to the Social Security, early retirements, final career premium, compensation payable and other commitments under the voluntary terminations program occurred during the semester); and • 20,950 t.euros of tax losses carried forward (19,610 t.euros originated in 2014 and 2016 related to the non-consolidated activity of Banco BPI). According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2014 and 2016 have a 12-year reporting period. In the six-month period ended June 30, 2017, deferred taxes associated with reportable tax losses decreased by 9,773 t.euros as a result of interpretative changes, particularly regarding the Regulatory Decree No. 5/2016, of 18 November (DR 5/2016), introduced during the 2016 fiscal report. In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.	Our audit procedures to address the identified risks of material misstatement included: • Analysis of the relevant internal control procedures implemented by the Bank in the analysis of the recoverability of deferred tax assets. • Analysis of the consistency of the pre-tax profits considered by the Bank in its estimation of future taxable income with the Funding and Capital Plan sent by Banco BPI to the supervisory entities in March 2017 and subsequent developments, which are contained in internal documentation. • Analysis of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits. • Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, considering the review of the assumptions and the interpretation of the tax legislation described above. • Review of the disclosures included in the interim consolidated financial statements regarding this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Recoverability of deferred tax assets (Notes 2.13, 2.16 and 4.43) (continued)

The Bank prepared an estimate of its taxable income for the period 2017-2022 to assess the recoverability of deferred tax assets. This estimate is by its own nature judgmental and depends on the assumptions made by Management to calculate the evolution of pre-tax profits and its interpretation of the tax legislation. Any changes in the assumptions used to estimate the future earnings or in the interpretation of the tax legislation may have a relevant impact on deferred tax assets. Given the materiality of deferred tax assets in the Bank's consolidated financial statements and the need to use estimates to determine their recoverability, this area was considered as a key audit matter.	

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Resolution Fund (Note 4.51)

Following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), the Resolution Fund became the owner of the entire share capital of Novo Banco, S.A. (Novo Banco) and Oitante, S.A.. In this context the Resolution Fund has obtained loans from the Portuguese State and a banking syndicate and has assumed other liabilities and contingent liabilities. The Bank participated in the banking syndicate through a loan agreement. In order to reimburse these loans and to meet other responsibilities it may assume, the proceeds of the Resolution Fund are essentially the periodic contributions from participating institutions (including the Bank) and the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions have to make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own funds for the fulfilment of its obligations. The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies. According to a public notice from the Resolution Fund dated March 21, 2017, the conditions of the loans that the Resolution Fund has obtained to finance the resolution measures applied to BES and Banif, namely the Portuguese State's loan to the Resolution Fund of 3,900,000 t.euros and the banking syndicate's loan of 700,000 t.euros, were renegotiated in the first quarter of 2017, including the extension of the maturity date for December 31, 2046 and the possibility of adjusting that date, with the purpose of guaranteeing the ability of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector.	Our audit procedures to address the identified risks of material misstatement included: • Analysis of the loan agreement celebrated between the Banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of September 28, 2016 and of the public communication from the Resolution Fund of March 21, 2017, regarding the new conditions of the loans to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Reading of the most recent Report and Accounts of the Resolution Fund available, which refers to the year 2015. • Analysis of a simplified model of cash flow projections of the Resolution Fund that was presented to us by the Bank. • Review of the accounting framework of the contributions to the Resolution Fund. • Following the announcement on March 31, 2017 of the projected sale by the Resolution Fund of 75% of the share capital of Novo Banco, obtaining a representation from the Management on the perspectives communicated to them by the competent authorities that this transaction will also not imply the payment by the Bank of any special contributions or other extraordinary contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement

Resolution Fund (Note 4.51) (continued)

It was also established the *pari passu* treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which the Bank is a part, and the loan agreements entered into with the Portuguese State. On March 31, 2017 Banco de Portugal communicated the selection of LONE STAR to complete the sale of Novo Banco. After the capital injection, LONE STAR will hold 75% of the share capital of Novo Banco and the Resolution Fund will keep a 25% participation. The terms agreed include a contingent capital mechanism, under which the Resolution Fund commits to making capital injections in case certain cumulative conditions are verified. The completion of the transaction is dependent on the necessary regulatory approvals and also on a liability management operation, subject to bondholders' acceptance, which was initiated by Novo Banco on July 25, 2017, and is expected to end on October 2, 2017. On September 1, 2017 it was announced by another banking institution that it has decided to ask the legal assessment in administrative action of the above mentioned contingent capital mechanism. The interim consolidated financial statements as of June 30, 2017 reflect the Bank's expectation that no special contributions or any other extraordinary contributions will be required by it to finance the resolution measures applied to BES and Banif. Taking into account the responsibilities of the Resolution Fund and the judgments of the Management in this matter as described above, this was considered a key audit matter.	

Responsibilities of Management and Supervisory Body for the interim consolidated financial statements

Management is responsible for:

- the preparation of interim consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);

- the preparation of the management report under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system that allows the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the interim consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the interim consolidated financial statements as a whole are free from material misstatements due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those ínterim consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the interim consolidated financial statements, due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether those interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the interim financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the interim consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless law or regulation precludes public disclosure about the matter;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may be perceived to threat our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the interim consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

We conclude that the Management report was prepared in accordance with the current applicable law and regulations and the financial information included therein is in agreement with the interim audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements.

Lisbon, September 28, 2017

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre Rosa Pereira Antunes, ROC

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)