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Management Report and Accounts 2016

BANCA DE INVESTIMENTO

The "Management Report and Accounts 2016" is a translation of the "Relatório de Gestão e Contas 2016" of Banif – Banco de Investimento, S.A..

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório de Gestão e Contas 2016" of Banif – Banco de Investimento, S.A. prevails.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In a context in which growth in the world economy is being held back by a slowdown in developed economies, the Portuguese economy continued on its path of gradual recovery, although the GDP growth rate in 2016 was slightly lower than it had been the year before. GDP growth over the year was influenced by the behaviour of private consumption, the most dynamic component of GDP. Despite the slightly more energetic performance in the second half, overall GDP growth was actually slower than in the year before. This can be attributed to the deleveraging of Portuguese families, a process that has been ongoing since 2012. In the first half of the year, the economy continued to decelerate, following the trend first identified towards the end of 2015 and largely explained by weak levels of investment. In the second half of the year, the various confidence indices recovered and helped drive domestic demand. External demand also made a more positive contribution to growth. This upturn is closely tied to the increase in disposable family income underpinned by the improvement in labour market indicators, particularly the fall in unemployment.

In 2016, Banif – Banco de Investimento, SA continued along the same strategic course that it has been following in recent years. This involves reducing operations that consume capital and lead to high balance sheet exposures and focusing more on business activities that generate commissions.

For BBI, the business environment was especially complex at the start of 2016, particularly as regards liquidity and capital. This was largely the result of the impact of the resolution measure that Bank of Portugal applied to Banif – Banco Internacional do Funchal, SA in December 2015.

Given the context in which it found itself working, the Bank implemented a number of measures designed to help restructure its balance sheet and dispose of non-strategic assets. To this end, the Bank's share capital was increased through two major operations, which took place on 31 December 2015 and 26 December 2016. Furthermore, two companies owned by the Bank, Gamma, Sociedade de Titularização de Créditos, SA and Banif Pensões - Sociedade Gestora de Fundos de Pensões, SA, were sold on 30 December 2016.

BBI was able to count on the full commitment and cooperation of its shareholder, Oitante, SA, in pursuing the above mentioned objectives, which were critically important to meeting capital requirements targets.

The year also saw BBI embark on the process of achieving operational independence from the corporate structure and central services of its current shareholder, Oitante, SA. This involved reorganising its internal support and/or operational areas, with a particular emphasis on making its IT services and human resources infrastructures fully autonomous.

Moreover, significant effort was put into restructuring all of BBI's internal standards, with a view to reorganising, strengthening and consolidating the Bank's internal control mechanisms, in a domestic and international financial context that is even more demanding.

In mid-February 2016, Oitante, SA appointed a new BBI Board of Directors, who started a term in office that will be focused on four specific objectives: (i) stabilising and managing the BBI Group's operational structures; (ii) restructuring the Bank's balance sheet; (iii) disposing of non-strategic assets; (iv) preparing to sell the Bank.

A year after the new Board of Directors began its term of office, the management team congratulates the work developed by all the teams in the BBI Group, in order to ensure the Bank is equipped with the structures and resources it needs to deal with the challenges that will follow in the wake of the sale of BBI to Bison Capital Financial Holdings (Hong Kong) Limited, a move that was announced by Oitante, SA (the Bank's sole shareholder) on 11 August 2016.

Finally, it is important to highlight all the support provided by Oitante, SA over the year and the dedicated and collaborative team spirit shown by BBI Group staff. For the moment, we strongly await the expected authorisation from the regulator to close the sale of BBI, in order for the Bank to become an innovative player in the Portuguese banking system.

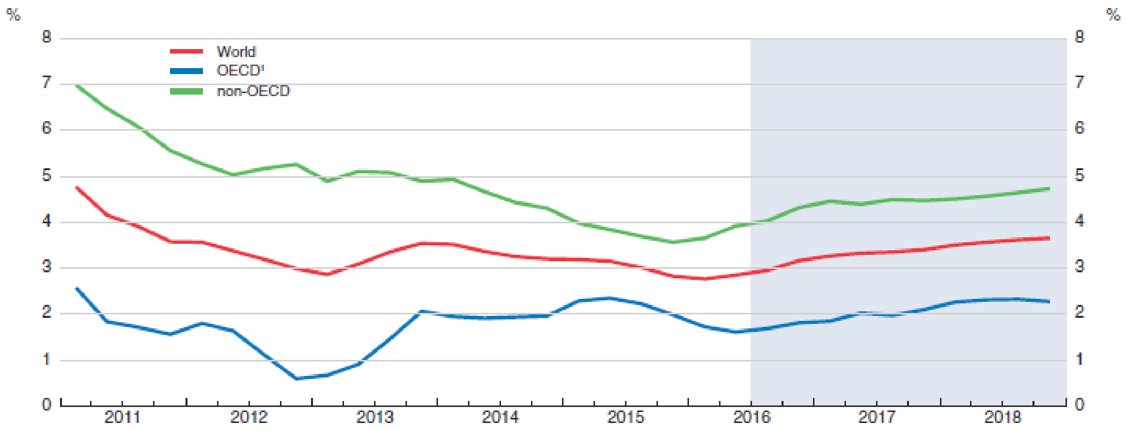
02

MACROECONOMIC OVERVIEW

International Context

According to the OECD, the global economy grew by 2.9% in 2016, a rate somewhat slower than initially expected (a trend that has held true for the last six years) or than that achieved in the previous year. Growth was significantly held back by the slowdown in the developed economies. This modest growth, the weakest since 2009, the year of the last major global recession, is a consequence of low levels of investment and international trade. Performance for the year was further complicated by low rises in productivity, high levels of public and private debt and adverse demographic trends.

Global Growth



Source: OECD, Economic Outlook, Volume 2016 Issue 2, November 2016

The US economy was largely accountable for this lower than expected global growth. According to the OECD, real GDP growth was just 1.5%. In the first half, growth was extremely weak, held back by the cutback in investment in the energy sector, following the abrupt fall in oil prices. In quarterly terms, GDP grew at an annualised rate of 0.8% and 1.4% in Q1 and Q2, respectively, before accelerating to 3.5% in Q3. Private consumption is still the main driver of growth, supported by lower energy costs and by the robustness of the labour and real estate markets. External demand was practically flat, with the increase in the value of the dollar hitting exports. These factors contributed to the Federal Reserve repeatedly putting off the decision to normalise interest rates, even though inflation had slowly crept up to near the target rate set for the current board's mandate. Unlike the four hikes that the Fed forecasted as investor guidance at the beginning of the year, Janet Yellen ended up raising the fed funds rate on only one occasion, in December.

The European economy continued to recover at no more than a moderate rate, due to persistently high levels of debt and non-performing loans. According to the European Commission's winter forecast, the eurozone grew 1.7% in 2016, this slowing from the 2.0% growth seen in the previous year. As a whole, the EU grew by 1.8%, compared to the 2.2% growth achieved in 2015.

This modest performance was shaped by various persistent legacies from the last major financial crisis. These include high levels of public and private debt, the correction for non-performing credit in the banking sector and a great deal of political uncertainty, particularly since the UK referendum decision to leave the EU. However, a number of positive factors have helped offset these upsets: highly favourable funding conditions, the knock-on effect of the accumulated depreciation of the euro, the neutral, or even expansionary, fiscal policy and lower energy costs. Private consumption was the main contributor, inversely mirroring the gradual fall in unemployment over the year to levels not seen since 2009. Private investment was down slightly vs 2015, but still made a positive contribution. Finally, external trade had a marginally negative impact, due to lower levels of international trade and slower global growth.

Growth rates continued to vary across the individual countries in the eurozone. According to European Commission estimates, while growth in Germany was above average for the region (1.9%), domestic demand in France underpinned moderate growth (+1.2%), which allowed the second largest eurozone economy to maintain the rate of growth achieved in the previous year. In the periphery area, some countries benefited from the implementation of structural reforms and recovered strongly. This was the case for Ireland (+4.3%) and Spain (+3.2%). Italy's economy, however, grew by just 0.9%, affected by concerns surrounding the solvency of Italian banks and the poor competitiveness of the country's industrial sector. Although the Greek economy grew slightly (0.3%), penalised by weak external demand, there was some recovery in confidence levels. This came in the wake of the completion of the first review of the European Stability Mechanism's funding programme, which helped energise investment activity.

After hitting a low of -0.2% in the first quarter, inflation in the eurozone rose gradually throughout the year to reach 1.1%, shadowing the steep fall in energy prices through to January and then the subsequent recovery. If the more volatile components (food and energy) are removed from the consumer basket, inflation was 0.9%, the same as it had been at the end of 2015. This is still far from the lower but close to 2.0% that the ECB is looking for. The continuing lack of inflation forced the ECB to cut the deposit rate to even more negative levels (-0.4%) and, from April onwards, to ramp up its asset purchase programme to 80 billion euros a month. This involved widening the investment scope to include bonds from non-financial issuers with good credit ratings.

According to OECD figures, the economy in Japan grew by 0.8% in 2016, benefiting from favourable monetary and fiscal policies. This growth, which was only slightly higher than the 0.6% achieved in 2015, was explained, on the one hand, by the response of domestic demand to the government's economic policy and, on the other, by depressed external demand caused by the sharp rise in the value of the yen in the first half of 2016. This modest growth fuelled the debate surrounding the effectiveness of the country's monetary policy, in particular, given the low level of inflation (which stood at 0.5%, YoY, in November and fell below zero in Q2 and Q3), after the Bank of Japan had surprised the market with a range of unprecedented measures. These began in January with the introduction of negative interest rates (cut in the deposit rate to -0.10%), a first, in line with those of Europe's central banks. In September, the bank's asset purchase programme was tweaked, with the aim of maintaining the yield of 10-year sovereign bonds at around zero. The bank also committed to sticking with this programme until inflation remained above (and not just at) the 2% mark for a sustained period.

According to the IMF, growth in the emerging economies rose slightly in 2016 (4.2%), when compared to 2015 (4.0%). This can be attributed to the gradual softening of the recession in Brazil and Russia and by the reversal of the sizeable fall in the value of almost all commodities.

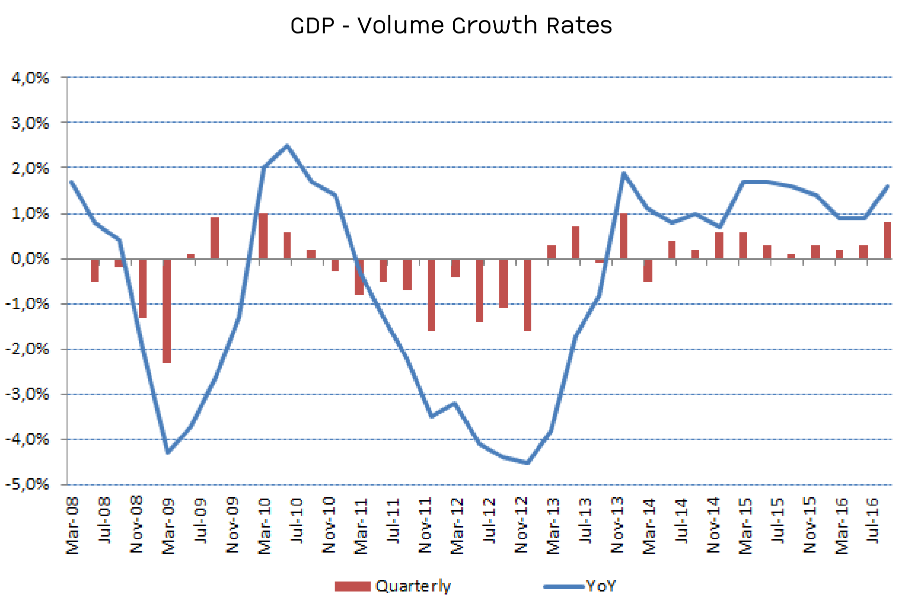
Once again, the deceleration in China was well within expectations and is understood as being part of the process of rebalancing the economy. This process involves pushing forward private consumption and the tertiary sector, at the expense of investment and industry. GDP growth slowed from 6.9% in 2015 to 6.6%, but still came in above the government's official target of 6.5%. Nevertheless, the year began with a certain amount of turbulence and a number of economic indicators forecasting a sharper fall in growth. However, the economic stimuli injected by the authorities, in the form of public investment and export incentives, allowed growth to stabilise and come back on track. Although growth did stabilise, there are still a number of financial vulnerabilities in the system, including a dependence on public investment, the expansion of debt to beyond nominal GDP and the increasing levels of private debt.

In Brazil, the second half of 2016 saw a recovery in business activity, once the impact of the fall in commodity prices and the political uncertainty generated by the removal of Dilma Rousseff had been fully absorbed. Inflationary pressures slackened and gave the central bank some manoeuvring room to alleviate interest rates, which it did with two 25 bp cuts to 13.75% in Q4. As at the end of the year, GDP had shrunk by 3.3%, which compares with a -3.8% fall in 2015. Russia also showed signs of coming out of its recession, which had caused GDP to fall by 3.7% in the previous year. The adjustment to the dual shock of the fall in the price of oil and international sanctions, together with an improvement in financial conditions, following the recapitalisation of the banking system with public funds, culminated in a much lower fall in GDP of just 0.8%. India was something of an exception, as it turned in robust growth of 7.6%. This was aided by a set of structural reforms and an improvement in trade terms that allowed the country to consolidate its position as the fastest growing large-scale global economy.

Domestic Context

In 2016, the Portuguese economy continued to recover gradually, albeit at a slower rate than in the previous year. According to the estimates set out in the report from the IMF's December oversight mission, GDP grew by 1.3% in real terms, after having increased by 1.6% in 2015. Growth was not equal throughout the year. In the first half of 2016, the economy continued to slow down, following the trend first identified towards the end of 2015 and largely explained by weak levels of investment. In the second half of the year, the various confidence indices recovered and helped drive domestic demand. External demand also made a more positive contribution to economic growth. As a result, GDP grew by 0.2% and 0.3% in the first two quarters and then at the faster rate of 0.8% in Q3. This performance was not enough to help the Portuguese economy converge with those of its EU partners, given that overall growth for the eurozone was expected to come in at 1.7%.

The most dynamic variable underpinning GDP growth on the expenditure side was private consumption, although this did fall to 2.0%, from the 2.6% of the previous year. The consumption of durable goods soared in Q1, as consumers pre-empted the increase in indirect taxes in the budget, which came into effect in April. The natural correction of this spike in demand was offset by an increase in the consumption of non-durable goods and services in the second half of the year. This was in line with the rise in consumer confidence indices to levels that had not been seen since August 2000. This upturn is closely tied to the increase in disposable household income underpinned by the improvement in the labour market. According to INE statistics, the unemployment rate fell to 10.5% by November, which compares favourably with the 12.2% at the end of 2015 and the peak of 17.4% reached in Q1 of 2013. The slowdown in private consumption in 2016 should be seen in the light of the deleveraging of Portuguese families that has been ongoing since 2012. This has led to a gradual reduction in indebtedness and to the low savings rate (4.0% at the end of Q3).



Source: Bloomberg, BBI.

Gross Fixed Capital Formation (GFCF) shrank by 1.4%, following growth of 4.5% in 2015. The significant cutbacks in public investment (-27.6% in Q3) plus the persistently low volumes of loans being granted both account for this change, which interrupted the solid upward trend seen since the end of 2013. Both internal uncertainties (feasibility of the incoming coalition government and problems in the domestic banking system) and external ones (financial volatility at the beginning of the year and the result of the referendum in the United Kingdom) played their part in bringing down GFCF. The impact of these factors dwindled along the year, however, and the slowdown in investment was similarly eased. Investment fell most in the construction sector shrinking by 3.7% YOY in Q3. GFCF continued to benefit from the increased investment in transport material (still growing, but less rapidly) and in machinery and equipment (for which growth, at 3.1%, picked up in Q3).

YoY export growth slowed in 2016, from 6.1% to 3.5% (IMF estimate). This item was affected by lower trade volumes with countries outside the eurozone, namely the USA, Angola, Brazil, China and Algeria. This can be explained by the recessions in Angola and Brazil and also by the shutdown of a refinery early in the year, which affected exports. According to Bank of Portugal data for October 2016, goods exports fell by 0.7% in YoY terms. If fuels were excluded, then exports would have actually grown by 1.0%. The strongest performing goods export sector was equipment, which went up by 6.0%. However, the dynamism of the country's exports is explained by the robustness of service exports, thanks particularly to the strong 10.3% growth in the main component of this sector, travel and tourism (which account for 17.3% of all goods and services exports).

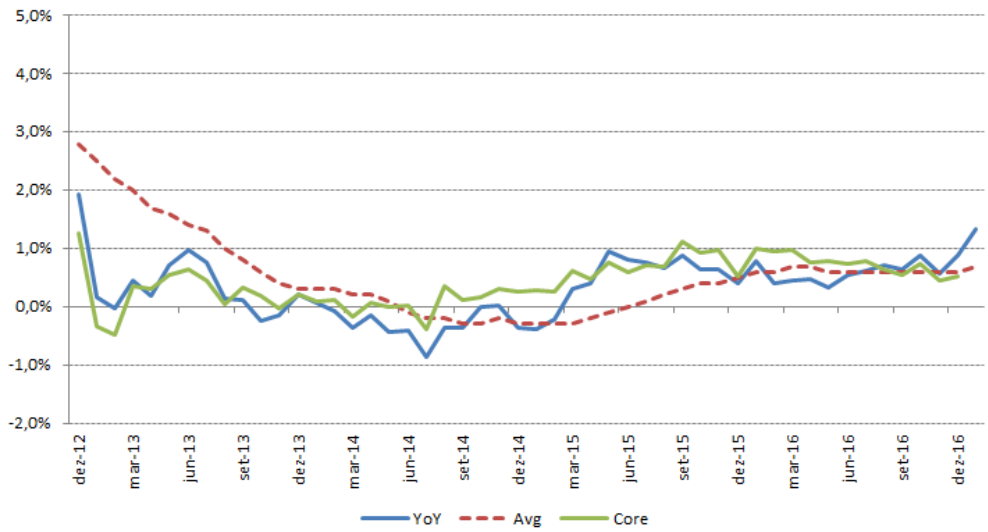
Import growth, on the other hand, decreased from 8.1% in 2015 to 3.1%. This fall is consistent with the slowdown in the investment in intermediate goods, which form the largest class of imports, but it was somewhat offset by the rise in the import of consumer goods. Thus external demand over the whole year will make a marginal difference to GDP, adding 0.1%.

Evolution of Prices

Consumer prices essentially continued the slight rise seen in the previous year. The 12-month average rate of change rose 0.6%, compared to 0.5% in 2015, while the YoY rate closed out 2016 up 0.9% (0.4% in 2015). The increase in the rate of change of the CPI can largely be attributed to the change in underlying inflation. That is, if the volatile components of energy and unprocessed foodstuffs (which went up by 0.7% - the same rate as in 2015) are taken out, underlying inflation was the main contributory factor to the overall change in the CPI. The rise in the cost of unprocessed foodstuffs, for which the average 12-month change fell from 1.9% in 2015 to 1.6% in 2016, more than offset the 1.8% fall in energy products. The downward trend established in the previous year (-3.6% in 2015) for these products eased up towards the end of the year.

In the goods and services categories, the trend in prices seen in the previous year was repeated: price rises mostly affected services, which showed 12-month average price increase of 1.5% (1.3% in 2015), while the price of goods remained unchanged (compared to a slight decrease of 0.1% in 2015.)

Evolution of Inflation



Source: INE, Bloomberg, BBI.

The HICP index used for international comparisons has a weighting structure that differs from the CPI in that it includes the expenditure of non-residents in the country and excludes the expenditure of residents abroad. This index had a 12-month average rate of change of 0.6% in 2016 (0.5% in 2015). The difference between the 12-month average rate for the HICP in Portugal and that in the eurozone was -0.2% in 2016 (+0.5 pp in 2015).

Financial Markets

For the financial markets, 2016 was marked by three separate periods that contrasted with the relatively reduced volatility seen in the rest of the year. Up until mid-February, investors were worried there might be a global recession. This was because of the abrupt fall in commodity prices, which included oil hitting a 13-year low. Attention was focused on the doubts surrounding the soundness of the European financial system, on the one hand, and China's foreign exchange policy, on the other. There were fears that the depreciation of the renminbi would destabilise the world economy and set off a wave of competitive devaluations. However, this did not happen and risk assets, some of which had started off the year at record lows, managed a significant recovery.

The other two periods of greater volatility were linked to unexpected political events. At the end of June, the outcome of the referendum on the United Kingdom remaining in the EU contradicted general expectations, as did the US presidential election in November. In both cases, investors rowed back from their initial stances and adopted a much more benign posture.

Another salient factor in 2016 was the continued focus on the work of central banks, a recurring issue that has lingered on since the last major financial crisis. For most of the year, the relevant authorities in Europe and Japan struggled with the depletion and decreasing effectiveness of their non-conventional methods. In the final quarter of the year, the uncertainty surrounding this monetary policy gave way to the view that the era of ultra-expansionary monetary policies was coming to an end. Moreover, this view had it that, in the near future, the stimuli that economies needed would come from fiscal policy, in a debate that was closely linked to the new Trump administration in the United States.

Thus, the world's main stock markets performed in very different ways over the year. The European (MSCI Europe) and Japanese (Nikkei) markets closed out the year virtually unaltered, changing by -0.5% and 0.4%, respectively. In Portugal, the PSI-20 lost 11.9% and in Spain the stock market lost 2.0%. USA stocks ended the year with record highs (the S&P500 was up 9.5%) and, after three consecutive years of losses, the MSCI emerging markets index rose by 8.6% in dollar terms, benefiting from more stable exchange rates and economies in this particular block.

In 2016, yields on sovereign debt from the eurozone area fell once again and, in many cases, went even more negative. In July, and after hitting new lows since the creation of the eurozone, yields began to climb and offset the falls seen in the first half of the year. This turnaround reflected the prospect of a lower level of monetary policy effort and improved growth and inflation. In Portugal, the risk premium rose sharply, on the back of less support from the ECB's asset purchase programme towards the end of the year and persistent funding demand. The ECB's cutting of the deposit rate determined the behaviour of the Euribor rates, which fell to all-time lows over the year. All rates closed out the year in negative territory. Finally, the fixed income credit class made gains throughout the year, particularly in the higher risk segments.

On the foreign exchange markets, the dollar remained strong all year, the pound sterling fell and the emerging currencies stabilised. The mismatch between the phase of the monetary policy cycle in the USA and in the other global blocks was worsened by the expectations regarding the new administration in the White House and was beneficial to the dollar, particularly in the last two months of the year. The ECB's implementation of new expansionary measures also resulted in a 3.2% devaluation of the euro against the US dollar, whilst the pound fell 16.3% in the wake of the so-called Brexit. Finally, the downward trend in the exchange rates for emerging economy currencies over the last three years was reversed, with the Brazilian real rising 21.7%, the Russian rouble 18.6% and the South African rand 12.6%. This recovery was not felt throughout the entire block, as the Mexican peso and the Turkish lira both fell heavily (-17.0% and -17.2%, respectively).

According to the IMF's general index, commodity prices fell 10.6% in 2016. The biggest faller was energy (-16.9%), which contrasted somewhat with the less aggressive correction seen in non-energy commodities (-2.8%). The largest drops within this sub-group were agricultural commodities (-7.6%) and metals (-7.5%).

03

BUSINESS ACTIVITY

A. INVESTMENT BANKING ACTIVITY

1. CORPORATE FINANCE

In 2016, the Corporate Finance Department successfully completed three Merger and Acquisition (M&A) transactions in the role of financial advisor. The positive impact of the department's input resulted in it earning success fees on these transactions.

- Financial advisor to Oitante, SA for the sale of its 59.2% holding in the share capital of Investaçor, SGPS, SA;
- Financial advisor to Finpro SGPS, SA and the CGD Group for the sale of the majority of the share capital of Prado Cartolinas da Lousã, SA and its respective holdings;
- Financial advisor to Oitante, SA for the sale of its 78.46% holding in the share capital of Banif Bank (Malta) plc.

Two of these transactions involved foreign investors and the total amount of all three transactions completed in 2016 was over 39 million euros.

The department also acted as financial advisor to Banif – Banco Internacional do Funchal, SA for the ongoing sale of its 51.7% holding in the share capital of BCN – Banco Caboverdiano de Negócios, SA.

The Bank also continued its role as paying agent bank for two syndicated project finance loans for the renewable energy sector in Portugal.

2. CAPITAL MARKETS

The Capital Market Department's scope for action was significantly reduced throughout 2016 because of the resolution measure applied to Banif – Banco Internacional do Funchal, SA. The resolution measure had a direct and material impact across the whole areas of the Bank. In the case of the Capital Markets Department, it particularly affected the generation of new business.

In 2016, the Capital Markets Department was involved as Joint Leader in the setting up and issue of the bond loan made to the Autonomous Region of Madeira. This bond, which totals 165 million euros and has a maturity of 10 years, was paid out in six series spread across the year, thus generating a significant organisation and structuring fee for the Bank.

Banif – Banco de Investimento, SA continues to manage a portfolio of commercial paper programmes in which the bank acts as Leader, Agent Bank and Registrar. As at the end of 2016, this Programme's portfolio, which comprised issues from twelve small and medium-sized Portuguese companies, was worth some 44.5 million euros.

3. BROKERAGE

Equity Desk

European share markets were highly volatile throughout 2016, although they all turned in very different and unequal performances. On the positive side, the German stock market rose by 6.89%, while those in the peripheral countries showed negative growth at year's end. In the Iberian Peninsula, Portugal's performance (-12%) was far worse than that of Spain (-2%).
The resolution of Banif – Banco Internacional do Funchal, SA meant that the brokerage work at the Bank fell sharply and significantly, given that BBI used to act as broker to the Banif Group. The department's main objective and focus, from the very beginning of the year, was to retain and stabilise the client base, which it managed to do during the second quarter. The department generated 261,000 euros in fees in 2016. This was 52% down when compared with 2015.

Fixed Income Desk

BBI's trading of sovereign and corporate debt in 2016 involved brokering Portuguese and Brazilian debt worth over 500 million euros, one third of the amount brokered in 2015. Even so, and despite this drop, the revenue generated in 2016, which amounted to approximately 460 thousand euros, was only 50% lower than in the previous year. Despite a much reduced operational scope and a smaller team, the department continued to focus on servicing and overseeing its institutional clients across a broad range of geographies (Europe, North America, Latin America, Asia and the Middle East).

In the final quarter of 2016, the department re-engaged with the placing of commercial paper with institutional clients, in an effort that was jointly coordinated with the Capital Markets Department.

Banif Trader

In spite of the resolution of Banif – Banco Internacional do Funchal, SA and the migration of its clients and part of its assets to Banco Santander Totta, SA ("Santander Totta") at the end of 2015, BBI remained the managing entity for this online trading solution through to October 2016.
In this role, it provided operational support to Banif Trader clients and coordinated all related issues directly with Santander Totta and with Saxo-Bank, a partner and the provider of the platform.
As from October 2016, and following Santander Totta's discontinuation of Banif Trader, BBI stopped providing any kind of support or service to the platform.

4. SECURITISATION

On 17 June 2016, Banif – Banco de Investimento SA and Banco Santander Totta, SA signed a Share Purchase Agreement by which Gamma STC, SA was sold to the latter. The operation was approved by the CMVM on 29 December 2016 and concluded on 30 December 2016, by means of the direct transfer of the company's share capital.

5. CLIENT MANAGEMENT

The commercial activity along the year developed by the Client Management Department can be split into two distinct phases marked by the resolution of Banif – Banco Internacional do Funchal, SA and by the process of selling BBI. In the first half of 2016, following the resolution of Banif – Banco Internacional do Funchal, SA, the department focused on the need to return to normal commercial relations with its clients. In the second half of the year, as the sale of BBI was progressing, the department strategically realigned and prepared a set of commercial initiatives, aligned with a future business plan to be implemented after the sale of the Bank.

The main aims of the commercial adjustment that was undertaken in the first half of 2016 were to identify and consolidate potentially relevant clients, in business terms, and broaden the active client base, as a way of offsetting the fall in financial intermediary work, particularly in the area of Banif Investment Funds and Third-Party Funds. A number of initiatives were launched during this period. These included work on updating the KYC process for the Bank's longer-term clients. Another emphasis was the foregrounding of deposit products as the main instrument for reactivating a number of clients who had been inactive because of the post-resolution situation of Banif – Banco Internacional do Funchal, SA and because of the high level of redemptions on Banif Funds.

One immediate consequence of this process was a fall in the number of clients and in the fees earned. This was gradually offset during the second half of 2016, through increased deposits and the improved administrative and commercial efficiency of the department itself. This was reflected in the rise in the number of active clients in the Equity area. Moreover, some of the clients participating in the Banif Gestão Passiva Fund, which was wound up in July, were retained as they reinvested part of their new liquidity in the Bank's products.

The new dynamic, imposed by the sale of BBI, was a key element in the strategic realignment of the Department in the second half of 2016. It brought a new focus to the department's commercial work, one that had been adjusted to the future Business Plan, under which the capital markets (particularly brokerage), custodian bank and asset management areas would all play a more prominent role. This was essentially the position of the Client Management Department at the end of 2016. The department concentrated on building client confidence through a more even client service plan and on consolidating a business base that, despite being smaller, offers the likelihood of true sustainability in the medium term and concomitantly sustained growth in fees.

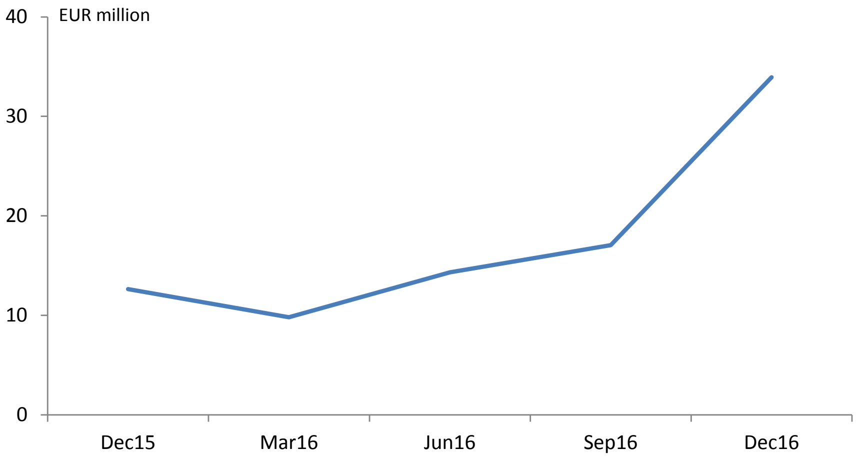
6. FINANCIAL AND LIQUIDITY MANAGEMENT

The resolution measure applied in December 2015 to Banif – Banco Internacional do Funchal, SA, BBI's only shareholder at the time, had significant implications for the Bank's treasury management at the start of 2016. Firstly, BBI no longer had access to the treasury facility agreed with Banif – Banco Internacional do Funchal, SA (the core entity of the former Group's liquidity management), which had been used to adjust the Bank's liquidity position on a daily basis. Moreover, the uncertainty surrounding the Bank's future following the resolution resulted in a number of clients withdrawing their deposits.

In response, BBI took steps to resolve its short-term treasury problem and set up a system that would allow it to manage its treasury independently in the medium term. On 31 December 2015, BBI signed a liquidity facility contract with the Bank of Portugal. The contract, designed to cover emergency situations and backed by Bank assets, allows for a liquidity line of 12.5 million euros. The contract was adjusted to 12 million euros in February, before being suspended in March.

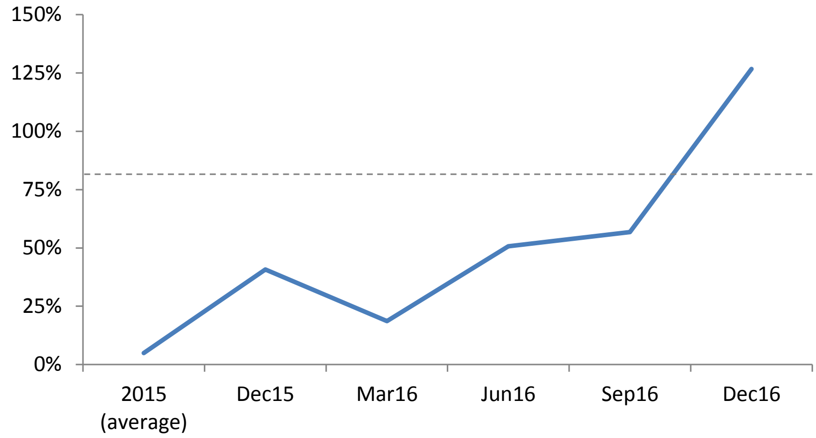
At the same time, BBI worked on identifying a set of assets that it was then able to monetize through the year. This operation involved the disposal of securities held in portfolio and also of a project finance loan. Additionally, a hitherto non-performing loan was repaid, the share capital of a 100% owned fund was reduced and dividends were received from a holding. On the commercial side, a significant effort was made to stabilize the Bank's deposit base.

As a result of all these steps, BBI's treasury position was gradually consolidated over the year, as the graph below shows.



As at 31 December 2016, and in addition to the above mentioned liquidity, BBI also held a 10 million euros position in high liquidity sovereign debt instruments.

The efforts made to consolidate the Bank's financial position over the year had a positive knock-on effect on the liquidity coverage ratio (LCR). As at 31 December 2016, the Bank's ratio was comfortably above the minimum required for 2017.



Note: The minimum regulatory requirement for 2017 corresponds to 80%

B. ASSET MANAGEMENT ACTIVITY

Asset management is the responsibility of Banif - Banco de Investimento, SA, which manages assets and provides investment consultancy services to private and institutional clients, Profile – Sociedade Gestora de Fundos de Investimento Mobiliário, SA (previously known as Banif Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, SA), which manages investment funds, and Banif Capital – Sociedade de Capital de Risco, SA, which manages risk capital funds.

Profile – Sociedade Gestora de Fundos de Investimento Mobiliário, SA (Investment Funds and Real Estate Investment Funds), (previously known as Banif Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, SA)

The significant shifts in the financial markets, the economic environment in general and Bank of Portugal's application, on 20 December 2015, of the resolution measure to Banif – Banco Internacional do Funchal, SA, the main distributor of the fund, in particular, combined to limit Profile, SA's business activity in 2016.

In 2016, the main events in the Investment Fund segment were:

- Fundo de Gestão Passiva – Fundo de Investimento Alternativo em Valores Mobiliários Fechado (Closed Alternative Investment Fund) went into liquidation on 30 March 2016, a process that was completed on 15 July 2016;
- On 20 June 2016, Banif Ásia – Fundo de Investimento Alternativo Mobiliário Aberto (Open Alternative Investment Fund) and Banif Investimento Defensivo – Fundo de Investimento Mobiliário Aberto Flexível (Open Flexible Investment Fund) went into liquidation and began winding up, following a decision taken by the Managing Company that this would be in the interests of the investors. These processes were completed on 28 June;
- On 10 November, Art Invest – Fundo de Investimento Alternativo Fechado (Closed Alternative Investment Fund) sold 4 of the artworks in its portfolio, at an auction organised by Veritas Leiloeiras. On 31 January 2017, the fund came to term and entered liquidation.

In line with the company's strategic plan, the investment funds Banif Acções Portugal, Banif Euro Acções, Banif Iberia and Banif Euro Corporates were all liquidated at the start of 2017.

Key events regarding the Real Estate Investment Funds:

- *Imóveis Brisa – Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund) went into liquidation on 12 March, most probably for a period of 12 months;
- *Citation – Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund): duration extended for one more year, following the decision made at the General Meeting of Investors, held on 17 March 2016;
- In May 2016, the capital of *Pabyfundo – Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund) was reduced for the second time, by 4,149,946.31 euros;
- *Lusíadas - Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund): the fund was declared insolvent by a legal ruling handed down on 19 August 2016;
- At the General Meeting held on 12 September 2016, investors decided to place Citation – Fundo de Investimento Imobiliário Fechado (Closed Real Estate Investment Fund) into liquidation when it came to term on 18 March 2107;
- *Banif Imogest – Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund): at a General Meeting held on 24 October 2016, investors decided to place the fund into liquidation when it came to term on 24 April 2017;
- In line with the express wishes of the sole investor, it was decided to place *Banif Reabilitação Urbana - Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund) into liquidation and wind it up. The fund was liquidated on 5 December 2016.
- *Porto Novo - Fundo de Investimento Imobiliário Fechado* (Closed Real Estate Investment Fund): the liquidation period for the fund, which has been in liquidation since 13 November 2015, was extended to 13 November 2017.

The value of the assets under Profile management dropped from 952 million euros in 2015 to 493 million euros in 2016, a sharp fall of some 48%.

The assets managed by the investment funds fell from 373 million euros, at the end of 2015, to 54 million euros, at the end of 2016 (-86%). Real estate fund assets decreased from 579 to 439 million euros in the same period, a fall of 23%.

The fall in the value of the assets managed by the investment funds is explained by the volume of redemptions that took place following Bank of Portugal's application of the resolution measure to Banif – Banco Internacional do Funchal, SA, on 20 December 2015, the main distributor of Profile funds, the consequent absence of new subscriptions and the liquidation of Fundo Gestão Passiva.

Profile, SGFIM, SA' share of the investment fund market, as at December 2016, was 0.48%, compared to 3.12% at the end of 2015 and the share of Real Estate Fund market was 6%, compared to 4.8% in the previous year. The company's overall market share was 2.44%, as at 31 December 2016, below the 3.22% share achieved in 2015.

ANALYSIS OF THE ACCOUNTS OF PROFILE, SA

Profile's net profits fell from 287 thousand euros in 2015 to 18 thousand euros in 2016. This fall is largely accounted for by: (i) a 33% drop in net operating income, which is mainly explained by the significant decrease in services and commissions revenues, specifically fund management commissions (which declined from 6,148 thousand euros in 2015 to 3,553 thousand euros in 2016); (ii) an offsetting lack of provisions for risks and charges in 2016, compared to the 1,215 thousand euros carried for this item in 2015.

The fall in net assets reflects the fact that liquidity as at the end of 2016 was lower than it had been at the end of 2015. The increase in receivables on other assets partially offset this fall.

Finally, the small change in Equity results from the profits earned in the year.

(amounts in thousands of euros)

	2016	2015	Change %
Net Assets	7,523	8,684	-13.4%
Equity	4,855	4,837	0.4%
Profit (Loss) for the Year	18	287	-93.7%

BANIF PENSÕES (PENSION FUNDS)

During 2016, Banif – Banco de Investimento, SA was engaged in the sale transaction of Banif Pensões – Sociedade Gestora de Fundos de Pensões, SA. (“Banif Pensões”). The closing occurred on 30 December 2016, with the sale of its entire holding in the share capital of Banif Pensões (56.49 per cent). The buyer was Real Vida Seguros, SA.

BANIF INVESTIMENTO (ASSET MANAGEMENT/CONSULTANCY)

In 2016, the activities of the Wealth Management Department (DWM) were strongly affected by the resolution of Banif – Banco Internacional do Funchal, SA and the sale of Açoreana Seguros, SA. The cancellation of the investment consultancy contract with Açoreana Seguros, SA in August led to a sharp 73% fall in the assets under DWM management, from 1,090 million euros to 299 million euros. This amount corresponds to the discretionary management of the pension fund portfolios of Banif Pensões - Sociedade Gestora de Fundos de Pensões, SA, a company that was sold at the end of the year.

During the resolution, the Proprietary Trading, Savings Investment Proposal and Business Development offices were closed down.

BANIF CAPITAL (VENTURE CAPITAL FUNDS)

In 2016, Banif Capital – Sociedade de Capital de Risco, SA. (“Banif Capital”) essentially managed three funds: Banif Portugal Crescimento FCR (“BPC”), aimed at the Portuguese SME and midcaps segment, Banif Global Private Equity Fund FCR (“BGPEF”), a fund of private equity funds comprising 3 international funds and Banif Capital Infrastructure Fund FCR (“BIF”), aimed at the European infrastructure sector, in the process of divestment.

The BPC fund, launched on 23 December 2013, had an initial capital commitment of ¬50 million. Nevertheless, following the resolution of its sole unitholder, Banif – Banco Internacional do Funchal, SA, on 20 December 2015, the fund's capital was reduced to 20 million euros, in view of the corporate purpose of the new sole unitholder, Oitante, SA, whose business activities are limited to divestment. Consequently, during 2016, the Banif Capital's main focus was on the management of existing investments and the analysis of possible divestments. In December 2016, BPC's share in Fomentinvest, SGPS, SA was sold.

Additionally, the capital in BGPEF, which generated an annual yield of 0.18%, was reduced by 2.37 million euros and approximately 2.2 million euros were distributed as income, following the release of excess liquidity resulting from the divestment of the fund.

Finally, in terms of funds, Banif Capital continued to oversee BIF holdings, particularly the insolvency of Finpro, with a view to winding up the fund, which is due to take place in 2017.

At the same time, Banif Capital continued to oversee the development of its direct holdings and the corresponding divestment strategy, culminating in the disposal of its share in Fomentinvest, SGPS, SA in December 2016.

As at 31 December 2016, Banif Capital reported total net assets of 1,410.8 thousand euros, equity of 227,663 euros and a net loss of 3,037.4 thousand euros.

04

ANALYSIS OF THE CONSOLIDATED ACCOUNTS AND OF THE INDIVIDUAL ACCOUNTS

1. ANALYSIS OF THE CONSOLIDATED ACCOUNTS

Net Assets fell by 9.9% compared to 2015. This reflects the ongoing deleveraging of the Bank's balance sheet, which has focused on transferring loans and disposing of financial assets and financial holdings.

Two of these disposals were of particular importance: Gamma - Sociedade de Titularização de Crédito, SA and Banif Pensões - Sociedade Gestora de Fundos de Pensões, SA.

During the year, BBI's share capital was increased by 11,758 thousand euros, by means of the conversion of supplementary capital contributions.

Net Interest Income fell significantly, due to the shrinkage of the loans portfolio and of the own securities portfolio (loss of 503 thousand euros compared to a gain of 835 thousand euros in 2015).

Net Operating Income made a positive contribution of 45 thousand euros to net profit/loss, which compares favourably with the positive contribution of 2,310 thousand euros in 2015. This year's contribution is mainly accounted for by:

- A loss of 5,114 thousand euros on financial assets measured at fair value through profit or loss (loss of 3,245 thousand euros in 2015);
- A fall in net commissions: 3,677 thousand euros, which compares with 5,696 thousand euros in 2015;
- Improvement in other operating income: a gain of 1,496 thousand euros, which compares with a loss of 1,442 thousand euros in 2015.

There was a significant reduction in Provisions and Impairments this year. Net constitution came to 1,522 thousand euros, which compares with 20,358 thousand euros in 2015.

The deferred taxes had no impact on the 2016 Net Loss, whereas the 2015 loss was still heavily influenced by the write-off of deferred tax assets relating to reportable tax losses that were deemed irrecoverable (loss of 17,010 thousand euros in 2015).

(Amounts expressed in thousands of euros)

	2016	2015	Change
Net Assets	126,153	139,979	(9.88)%
Equity	24,230	37,343	(35.12)%
Net Interest Income	(503)	835	(160.24)%
Net Operating Income	45	2,310	(93.88)%
Net Profit / (Loss)	(10,473)	(41,545)	74.79%

2. ANALYSIS OF THE INDIVIDUAL ACCOUNTS

Net Assets fell by 12.4% compared to 2015. This reflects the ongoing deleveraging of the Bank's balance sheet, which has focused on transferring loans and disposing of financial assets and financial holdings.

There were two particularly relevant disposals during the year, namely of Gamma, STC, SA and Banif Pensões - Sociedade Gestora de Fundos de Pensões, SA. These disposals had a significant impact on liquidity, as they amounted to 7,933 and 1,786 thousand euros, respectively.

During the year, BBI's share capital was increased by 11,758 thousand euros, by means of the conversion of supplementary capital contributions.

Net Interest Income fell significantly, due to the shrinkage of the loans portfolio and of the own securities portfolio.

Net Operating Income made a negative contribution of 2,253 thousand euros to net profit/loss, which compares with the negative contribution of 6,612 thousand euros in 2015. This year's contribution is mainly accounted for by:

- A loss of 5,521 thousand euros on financial assets measured at fair value through profit or loss (loss of 13,500 thousand euros in 2015);
- A loss of 1,110 thousand euros on financial assets held for sale (loss of 10 thousand euros in 2015);
- A fall in net commissions: 4,125 thousand euros, which compares with 6,148 thousand euros in 2015.
- Improvement in other operating income: 240 thousand euros, which compares with a loss of 536 thousand euros in 2015.

There was a significant reduction in Provisions and Impairments this year. Net constitution came to 439 thousand euros, which compares with 9,926 thousand euros in 2015.

The results from discontinued operations had a positive contribution of 3,123 thousand euros in 2016, which compares with a positive contribution of 250 thousand euros in 2015.

The deferred taxes had no impact on the 2016 Net Loss, whereas the 2015 loss was still heavily influenced by the write-off of deferred tax assets relating to reportable tax losses that were deemed irrecoverable (loss of 16,941 thousand euros in 2015).

(Amounts expressed in thousands of euros)

	2016	2015	Change
Net Assets	124,567	142,215	(12.41%)
Equity	22,187	27,980	(20.70%)
Net Interest Income	(504)	810	(162.22%)
Net Operating Income	(2,253)	(6,612)	65.93%
Net Profit / (Loss)	(5,791)	(39,528)	85.35%

05

OUTLOOK

On 20 December 2015, the resolution measure decided on by Bank of Portugal was applied to Banif – Banco Internacional do Funchal, SA. This resulted in the ownership of the share capital in Banif - Banco de Investimento SA being transferred to an asset management vehicle called Oitante, SA, which is wholly owned by the Resolution Fund.

In these particularly difficult circumstances, defined by the materially relevant consequences of the resolution measure for the BBI Group's business activity, given the strong links between BBI Group companies and Banif - Banco Internacional do Funchal, SA, in terms of business opportunities, shared operational services and also liquidity and capital, the new BBI Board of Directors, appointed in February 2016, began its term of office with a number of very precise objectives in mind and with the full cooperation of Oitante, SA. The objectives revolved around stabilising the Bank's business activities, to ensure that it was in a fit state to pass into the hands of the new shareholder and so that a new strategic direction could be taken, one that would lead to the restructuring of the Bank's balance sheet, the sale of non-strategic assets and the start of the process of selling the Bank.

Throughout 2016, there was a specific focus on making BBI operationally independent of the corporate structure and central services of its current shareholder, Oitante, SA.

The sale of BBI was completed on 11 August 2016, following the announcement by Oitante, SA of the agreement for the purchase and sale of shares and shareholder claims entered into with Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Capital"), for the purposes of selling Oitante's holding in the Bank. The conclusion of this process is dependent on the consent of the regulatory bodies.

The current management team is firmly convinced that once the requisite authorisations for the sale of BBI to Bison Capital have been obtained from the regulator, the Bank can become an innovative player in a banking market that is undergoing significant transformation.

06

PROPOSED APPLICATION OF RESULTS

In 2016, Banif - Banco de Investimento, SA incurred a loss of 5,791 thousand euros in the course of its business activity.

Thus the Board of Directors proposes, according to no. 1(b) and no. 2 of Article 376 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), that this loss of 5,791 thousand euros be recognised in Retained Earnings.

07

FINAL REMARKS

On 17 February 2016, Oitante, SA, the sole shareholder of Banif – Banco de Investimento SA ("BBI"), considering the resignations presented by the previous members of the Board of Directors, passed a unanimous resolution in writing to appoint the following members to complete the current term of office (2015/2017):

- Carla Sofia Pereira Dias Rebelo – as Chair of the Board of Directors;
- António Manuel Gouveia Ribeiro Henriques - as Vice-Chair of the Board of Directors;
- Bernardo Maya Múrias Afonso - as Member of the Board of Directors.

It was also agreed on that date that the BBI Board of Directors shall comprise 3 members, in accordance with article 18 of its Articles of Association.

On 18 February 2016, and under the terms of no.2 of Article 30. B of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*), Bank of Portugal authorised the new members of the BBI Board of Directors to begin their duties for the 2015/2017 term of office. The Chair and the Vice-Chair referred to above took office on 18 February 2016 and the Board Member referred to above took office on 1 March 2016.

On 19 April 2016, the sole shareholder, Oitante, SA, considering the resignations presented by the previous members of the Supervisory Board, passed a unanimous resolution in writing to appoint the following members to complete the current term of office (2015/2017):

- Issuf Ahmad – as Chair of the Supervisory Board;
- Elsa Cristina Costa Pires Santana Ramalho - as Member of the Supervisory Board;
- Ernesto Jorge Macedo Lopes Ferreira - as Member of the Supervisory Board.
- Maria Eduardo de Madureira Osório Botelho Fernandes – as Alternate Member.

The full members referred to above took up their duties on 24 June 2016, the date on which Bank of Portugal issued the relevant authorisation.

On 5 May 2016, Oitante, SA, BBI's sole shareholder, passed a unanimous resolution in writing to approve the provision of ancillary capital contributions, subject to the supplementary capital rules, through conversion of a claim held by Oitante SA over BBI amounting to 12,496,996.75 euros, with effective date of 31 December 2015.

On 27 May 2016, Oitante, SA, BBI's sole shareholder, passed a unanimous resolution in writing to approve an amendment of the terms and conditions of the euro value of Oitante SA's claim for 11,801,337.80 USD against BBI, originally approved in the amount of 12,496,996.75 euros, effective from 31 December 2015. The same resolution also approved the amendment of the amount for the ancillary capital contributions, subject to the supplementary capital rules, in the same terms, that is, for 11,758,370 euros.

On 3 August 2016, a "Share Purchase and Sale Agreement" was signed by Oitante, SA and Bison Capital Financial Holdings (Hong Kong) Limited, with a view to the sale of the entirety of Oitante, SA's holding in Banif – Banco de Investimento, SA.

On 30 September 2016, Oitante, SA, BBI's sole shareholder, passed a unanimous resolution in writing to approve the Management Report and Accounts of BBI for 2015 and to approve the proposed application of results for the year submitted by the Board of Directors. The shareholder also approved a vote of confidence in the work done by the Board of Directors and the Supervisory Board.

Given the ongoing sale of the company, the shareholder also decided not to make any changes to the "Remuneration policy of management and supervisory body members of Banif – Banco de Investimento, SA" or the "Selection and assessment policy for the suitability of management and supervisory body members and of key function holders in Banif – Banco de Investimento, SA" and the "Regulations on the prevention, reporting and remedying of conflicts of interest, including transactions with related parties of Banif – Banco de Investimento, SA". On that same date, the sole shareholder took note of the consequences of access to the special arrangement applicable to deferred tax assets ("DTA"), approved by Law 61/2014 of 26 August, specifically the conversion of part of the eligible DTA into tax credits, as a result of the calculation of the net loss in the individual accounts and subsequent setting up of a special reserve and of conversion rights for the State.

At a meeting of the Board of Directors on 30 September 2016, it was decided, under the provisions of paragraph two of article two of the Company's Articles of Association, to change the registered office to Av. José Malhoa, nº 22 - 2º piso, in Lisbon, with the consequent alteration of paragraph one of the aforementioned article two.

At a meeting on 21 October 2016, the Board of Directors agreed to approve the Regulations of the BBI Board of Directors, a document which sets out the operating principles of that body, the basic rules of its organisation and operation and the standards of conduct expected of its members, as a supplement to the applicable legal and statutory provisions. This document was reviewed at a meeting of the Board of Directors on 22 December 2016.

The current Regulations for the BBI Supervisory Board were also approved by the Supervisory Board on 22 December 2016.

On 23 December 2016, Oitante, SA, BBI's sole shareholder, passed a unanimous resolution in writing to appoint CRC – Colaço, Rosa, Coelho e Associado, SROC Lda (registered as a SROC with the Portuguese Institute of Statutory Auditors under no. 221), represented by Luís Manuel da Silva Rosa (registered as an auditor with the Portuguese Institute of Statutory Auditors under no. 628) to draw up the report provided for in article 28 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), for the purposes of increasing BBI's share capital, in the form of new contributions in kind, which result from the conversion into capital of supplementary capital contributions (*prestações acessórias de capital*), subject to the rules governing supplementary capital contributions, held by Oitante, SA in BBI, in the amount of 11,758,370.35 euros.

On 26 December 2016, Oitante, SA, BBI's sole shareholder, passed a unanimous resolution in writing to approve the increase in BBI's share capital, in the form of new contributions in kind, which result from the conversion of the supplementary capital contributions (*prestações acessórias de capital*), subject to the rules governing supplementary capital contributions, held by Oitante in BBI, in the amount of 11,758,370.35 euros. A total of 2,351,674 new shares were issued, with a nominal value of 5 euros each. The share premium comprised the difference of 0.35 euros between the par value of the new shares issued (11,758,370.00 euros) and the par value of the supplementary capital contributions (11,758,370.35 euros). As a consequence of this share capital increase, it was decided to amend no. 1 of article 4 and no. 1 of article 5 of the Company's Articles of Association, in order to accommodate the changes concerning the new share capital, which is now 126,198,370 euros, represented by 25,239,674 shares, with a nominal value of 5 euros each.

On 13 January 2017, Oitante, SA, BBI's sole shareholder, passed a unanimous resolution in writing to approve the revised and updated versions of documents submitted by the management body that did not contain significant changes, when compared with the previous texts. These documents were: "Remuneration policy of management and supervisory body members of Banif – Banco de Investimento, SA" or the "Selection and assessment policy for the suitability of management and supervisory body members and of key function holders in Banif – Banco de Investimento SA" and the "Regulations on the prevention, reporting and remedying of conflicts of interest, including transactions with related parties of Banif – Banco de Investimento, SA".

Each of the undersigned members of the Board of Directors, identified below, declares, on their own personal accountability, that, to the best of their knowledge, the management report, the annual accounts, the legal certification of accounts and other financial statements, as required by law or regulation, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities, the financial position and the results of Banif – Banco de Investimento, SA, and that the management report realistically describes the business activities, the performance and the position of Banif – Banco de Investimento, SA and also contains a description of the main risks and uncertainties the company faces.

In closing its report on the business activities in 2016, the Board of Directors would like to express its gratitude to the Supervisory Board, the Statutory Auditor and the regulatory bodies, for their support and collaboration.

Lisbon, 7 April 2017

The Board of Directors

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Carla Sofia Pereira Dias Rebelo - Chairman

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António Manuel Gouveia Ribeiro Henriques - Vice-Chairman

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Bernardo Maya Múrias Afonso

08

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

BANIF - BANCO DE INVESTIMENTO, S.A.

CONSOLIDATED BALANCE SHEET STATEMENT

AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

(Amounts expressed in thousand euros)

		31/12/2016			31/12/2015
	Notes	Gross Value	Provisions, Impairment and Depreciation	Net Value	Net Value
Cash and deposits at central banks	5	31,827	-	31,827	15,763
Balances at other credit institutions	6	2,945	-	2,945	8,431
Financial assets held for trading	7	10,441	-	10,441	2,544
Other financial assets at fair value through profit or loss	8	28,300	-	28,300	37,161
Financial assets available for sale	9,25	35,697	(10,628)	25,069	31,807
Applications with credit institutions	10	200	-	200	-
Loans and advances to customers	11,25	16,510	(16,089)	421	9,300
Non-current assets held for sale	12,25	11,470	(1,623)	9,847	4,481
Investment properties	13	6,949	-	6,949	11,524
Other tangible assets	14	3,290	(2,911)	379	594
Intangible assets	15	8,176	(7,063)	1,113	1,757
Investments in associates and subsidiaries excluded from consolidation	16	-	-	-	564
Current tax assets	17	200	-	200	1,268
Deferred tax assets	18	313	-	313	1,369
Other assets	19,25	8,861	(712)	8,149	13,416
Total Assets		**165,179**	**(39,026)**	**126,153**	**139,979**
Deposits from Central Banks	20			-	12,500
Financial liabilities held for trading	21			-	944
Deposits from other credit institutions	22			3,075	13,155
Deposits from customers and other loans	23			83,759	59,808
Non-current liabilities held for sale	24			4,791	-
Provisions	25			3,443	4,540
Current tax liabilities	17			101	711
Deferred tax liabilities	18			-	20
Other subordinated liabilities	26			2,180	2,181
Other liabilities	27			4,574	8,777
Total Liabilities				**101,923**	**102,636**
Share Capital	28			126,198	114,440
Other equity instruments	28			-	11,758
Revaluation reserves	28			754	801
Other reserves and retained earnings	28			(92,249)	(50,950)
Net Profit / (Loss) for the year	28			(10,473)	(41,545)
Non-controlling interests	29			-	2,839
Total Equity				**24,230**	**37,343**
Total Liabilities and Equity				**126,153**	**139,979**

BANIF - BANCO DE INVESTIMENTO, S.A.

CONSOLIDATED INCOME STATEMENT

AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

(Amounts expressed in thousand euros)

	Notes	31/12/2016	31-12-2015 Restated
Interest and similar income	30	428	4,682
Interest expense and similar charges	30	(931)	(3,847)
Net Interest Income		(503)	835
Income from equity instruments	31	458	347
Commissions and fees income	32	4,305	6,271
Comissions and fees expenses	32	(628)	(575)
Income from assets and liabilities valued at fair value through profit or loss	33	(5,114)	(3,245)
Income from financial assets available for sale	33	(28)	(10)
Income from currency revaluation	33	59	129
Other operating income	34	1,496	(1,442)
Net Operating Income		45	2,310
Personnel expenses	35	(2,422)	(2,634)
Overheads	36	(2,986)	(2,492)
Depreciations	14,15	(619)	(670)
Provisions net of refunds and write-offs	25	(335)	(527)
Impairment of customer loans net of reversals and recoveries	25	(338)	(17,671)
Impairment of other financial assets net of reversals and recoveries	25	(434)	(2,160)
Impairment of other assets net of reversals and recoveries	25	(415)	-
Profit / (Loss) before taxes		**(7,504)**	**(23,844)**
Income Taxes			
Current	17	(301)	(537)
Deferred	17,18	-	(17,010)
Net Profit / (Loss) after taxes		(7,805)	(41,391)
Non-controlling interests	37	(74)	(168)
Profit / (Loss) from discontinued operations	12, 38	(2,594)	14
Net Profit / (Loss) for the year		(10,473)	(41,545)

BANIF - BANCO DE INVESTIMENTO, S.A.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

AS AT 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousand euros)

	Notes	31/12/2016	31/12/2015
Net Profit / (Loss) for the year	28	(10,473)	(41,545)
Items that may be reclassified to profit or loss			
Gains / (losses) at fair value from financial assets available for sale		(67)	(651)
Deferred income taxes		20	293
Total Comprehensive Income, net of tax		(10,520)	(41,903)

The Certified Accountant **The Board of Directors**

BANIF - BANCO DE INVESTIMENTO, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2016 AND 2015

(Amount expressed in thousand euros)

	Notes	Equity	Other equity instruments	Revaluation reserves (net of deferred taxes)	Other reserves and retained earnings	Net Profit / (Loss) for the Year	Non-controlling interests	Total Equity
Balances as at 31.12.2014		85,000	-	1,159	(21,338)	(30,640)	2,707	36,888
Share capital increase		29,440	-	-	-	-	-	29,440
Supplementary capital contributions ("prestações acessórias")		-	11,758	-	-	-	-	11,758
Application of Net Profit/ (Loss) from the previous year								
Transfer to other reserves and retained earnings		-	-	-	(30,640)	30,640	-	-
Other operations		-	-	-	1,028	-	-	1,028
Non-controlling interests		-	-	-	-	-	132	132
Comprehensive Income		-	-	(358)	-	(41,545)	-	(41,903)
Balances as at 31.12.2015	28	114,440	11,758	801	(50,950)	(41,545)	2,839	37,343
Share capital increase	28	-	-	-	-	-	-	-
Supplementary capital contributions ("prestações acessórias")	28	11,758	(11,758)	-	-	-	-	-
Application of Net Profit/ (Loss) from the previous year								
Transfer to other reserves and retained earnings	28	-	-	-	(41,545)	41,545	-	-
Other operations	28	-	-	-	246	-	(2,839)	(2,593)
Non-controlling interests	29	-	-	-		-		-
Comprehensive Income		-	-	(47)	-	(10,473)	-	(10,520)
Balances as at 31.12.2016	28	126,198	-	754	(92,249)	(10,473)	-	24,230

The Certified Accountant **The Board of Directors**

BANIF - BANCO DE INVESTIMENTO, S.A.

CONSOLIDATED CASH FLOWS STATEMENT

AS AT 31 DECEMBER 2016 AND 2015

(Amount expressed in thousand euros)

	31/12/2016	31/12/2015
OPERATING ACTIVITY		
Operating Results:		
Net profit/loss for the year	(10,473)	(41,545)
Impairments related to loans and advances to customers	(338)	17,671
Impairment losses	(849)	2,508
Provisions for the year	(1,097)	1,488
Depreciations for the year	619	693
Tax appropriation for the year	301	18,362
Non-controlling interests	74	168
Derivatives (net)	455	2,539
Results from associated companies and joint ventures	-	23
Recognised dividends	(458)	(347)
Paid interests on subordinated liabilities	25	223
Others	18	861
	(11,723)	2,644
Changes to Operating Assets and Liabilities:		
Changes to Operating Assets and Liabilities:		
(Increase)/Decrease in Financial Assets held for trading	(7,895)	13,955
(Increase)/Decrease in financial assets at fair value through profit or loss	8,861	7,328
(Increase)/Decrease in financial assets available for sale	7,125	(3,667)
(Increase)/Decrease in Applications in Other Credit Institutions	(201)	13,041
(Increase)/Decrease in Loans to Customers	9,189	79,993
(Increase)/Decrease in non-current assets held for sale	(5,366)	(3)
(Increase)/Decrease in Other assets	5,682	37,626
Increase/(Decrease) in financial liabilities held for trading	(1,400)	(70)
Increase/(Decrease) in Central Banks	(12,500)	12,500
Increase/(Decrease) in Deposits from Other Credit Institutions	(10,066)	(94,620)
Increase/(Decrease) in Customer Deposits and other loans	23,945	(68,795)
Increase/(Decrease) in non-current liabilities held for sale	4,791	-
Increase/(Decrease) in Other Liabilities	(6,888)	5,128
Income taxes	1,213	(1,077)
	16,490	1,339
Operating Cash Flows	4,767	3,983
INVESTING ACTIVITY		
Disposal of subsidiaries and associated companies	564	-
Acquisition of Tangible Assets	-	(221)
Disposal of Tangible Assets	93	-
Acquisition of Intangible Assets	-	(207)
Disposal/Write-off of Intangible Assets	146	-
Disposal of investment properties	4,575	-
Dividends received	458	347
Cash flows from investing activity	**5,836**	**(81)**
FINANCING ACTIVITY		
Share capital increase	11,758	29,440
Reimbursement of other equity instruments	(11,758)	-
Reimbursement of subordinated debt	-	(15,000)
Interest paid on subordinated debt	(25)	(223)
Cash flows from financing activity	**(25)**	**14,217**
TOTAL	**10,578**	**18,119**
NET CHANGES IN CASH AND EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	24,194	6,075
Cash and cash equivalents at the end of the period	34,772	24,194
	10,578	**18,119**
Balance sheet value of Cash and Cash Equivalent items, as at 31 December		
Cash	2	2
On-demand deposits at Central Banks	31,825	15,761
On-demand deposits at Other Credit Institutions	2,945	8,431
	34,772	**24,194**

The Certified Accountant **The Board of Directors**

(Amounts expressed in thousand euros, unless stated otherwise)

1. GENERAL INFORMATION

The companies that constitute the Banif Banco de Investimento Group (Group) are specialist operators in the banking (investment banking) sector. They are supported by a second group of companies that operate across various areas in the financial sector (asset management).

Banif – Banco de Investimento, SA (Bank) resulted from the demerger, on 15 December 2000, of Ascor Dealer – Sociedade Financeira de Corretagem, SA. The demerger also led to the setting up of a new brokerage firm known as Banif Ascor – Sociedade Corretora, SA.

Oitante, SA owns 100% of the shares in the Bank.

As part of the resolution of Banif – Banco Internacional do Funchal, SA, the holding in Banif - Banco de Investimento, SA was transferred to Oitante, SA, as per Annex 2 of the resolution of the Board of Directors of Bank of Portugal taken on 20 December 2015.

The Group's registered office is at Avenida José Malhoa, nº 22, in Lisbon, Portugal.

On 07 April 2017, the Bank's Board of Directors reviewed and approved the Financial Statements and the Annex to the Consolidated Financial Statements as at 31 December 2016. It also gave its general approval to the Management Report, which, together with the Financial Statements, will be submitted to the Annual General Meeting of Shareholders for approval.

2. SUMMARY OF THE MAIN ACCOUNTING POLICIES

2.1 Basis of presentation of accounts

The Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, as at 31 December 2015, and as established under European Parliament and Council Regulation (EC) no. 1606/02, of 19 July 2002. These standards were transposed into Portuguese law by Decree-Law no. 35/2005, of 17 February, and by Bank of Portugal's Notice no. 1/2005, of 21 February.

The Group prepared its first consolidated financial statements with reference to 2015. In previous years, the Group was exempt from preparing consolidated statements, as 100% of the Bank's shares were held by Banif – Banco Internacional do Funchal, SA ("Banif") the holding company of the Banif Financial Group. This situation was changed by the resolution measure applied to Banif in December 2015.

Amounts in the financial statements are expressed in thousands of euros, rounded to the nearest thousand. These statements were prepared on the basis of historical cost, except for financial assets and liabilities at fair value, namely, assets and liabilities held for trading (including derivatives), assets and liabilities at fair value through profit or loss, financial assets available for sale and property registered as tangible assets. The main accounting policies used by the Group are detailed below.

2.2 Comparative Information

In general terms, the figures presented here are comparable, in all relevant aspects, with the figures of the previous year, with the exception of the following situation:

Discontinued Units

The Group restated the comparative figures from the 2015 income statement, with respect to the classification of the following entities as discontinued units: Banif Gestão de Activos, Banif Capital, Banif Pensões, Gamma, Banif International Asset Management, Banif Multifund and MC02, as a result of the purchase and sale agreement, signed on 11 August 2016, through which Oitante will dispose of its holding in the Group. This agreement establishes that, when the sale is completed the BBI holdings listed above will no longer be part of the Bank's asset base. Notwithstanding the provisions in this agreement, the holdings in Banif Pensões and Gamma were sold in December 2016.

In this context, and in accordance with IFRS 5 - Non-current assets held for sale, the total sum of the assets and liabilities held by the entities referred to in the previous paragraph, as at 31 December 2016, are presented in the "Non-current assets held for sale" and "Non-current liabilities held for sale" items. However, this reclassification is not reflected in the comparative balances as at 31 December 2015.

For this reason, and as regards the notes and balance sheet items, the figures are not directly comparable across the two reporting periods. To make such a comparison, and for a correct reading of the balances in question, it is necessary to take into account the information presented in note 12 - Non-current assets held for sale.

As the holdings in the abovementioned entities have been classified as discontinued units, their contribution to the consolidated profit/loss (after tax) is presented in a single line entry in the Profit or Loss Statement ("Profit/loss from discontinued operations"). The comparative periods have been restated accordingly.

The details for the "Non-current assets held for sale", "Non-current liabilities held for sale" and "Profit/loss from discontinued operations" items are presented in note 12 - Non-current assets held for sale.

2.3 New standards and interpretations applicable in 2016 reporting period

IFRS Disclosures - New standards as at 31 December 2016:

1. Impact of the adoption of the amendments to the standards that came into effect on 1 January 2016

Standards

a) IAS 1 (amendment), 'Revision of disclosures'. The amendment involves instructions on materiality and aggregation, the presentation of subtotals, the structure of the financial statements, the disclosure of accounting policies and the presentation of items under 'Other comprehensive income generated by investments measured using the equity method'.

b) IAS 16 and IAS 38 (amendment), 'Permitted methods for calculating amortisation/depreciation'. This amendment clarifies that the use of methods for calculating depreciations/amortisations of assets that are based on revenue earned is not, as a rule, considered suitable for measuring the pattern of consumption of the economic benefits associated with the asset. The amendment is applied prospectively.

c) IAS 16 and IAS 41 (amendment) 'Agriculture: bearer plants'. This amendment defines the concept of a bearer plant and removes this type of asset from the application scope of IAS 41 - 'Agriculture' and places it under IAS 16 - 'Tangible assets', with a consequent impact on measurement. However, the biological assets produced by these plants remain under the scope of IAS 41 – Agriculture.

d) IAS 19 (amendment), 'Defined benefit plans – Employee contributions'. The amendment to IAS 19 applies to employee or third party contributions to defined benefits plans. It aims to simplify the accounting procedures for these, when the contributions are not associated with the number of years of service.

e) IAS 27 (amendment), 'Equity method in separate financial statements' This amendment allows an entity to apply the equity method to the measurement of investments in subsidiaries, joint ventures and associates, in the separate financial statements. This amendment is applied retrospectively.

f) Amendments to IFRS 10, 12 and IAS 28, 'Investment entities: applying the consolidation exemption'. This amendment clarifies that the exemption from the obligation to consolidate an 'investment entity' applies to an intermediate holding which is a subsidiary of an investment entity. Additionally, the policy choice to apply the equity method, under IAS 28, is extended to an entity that is not an investment entity but does have an interest in an associate or joint venture which is an "investment entity".

g) IFRS 11 (amendment), 'Reporting of the acquisition of an interest in a joint operation'. This amendment introduces guidelines for the reporting of the acquisition of an interest in a joint operation that constitutes a business, as defined in IFRS 3 - business combinations.

h) Improvements to the 2010-2012 standards. This improvement cycle affects the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and 38 and IAS 24.

i) Improvements to the 2012-2014 standards. This improvement cycle affects the following standards: IFRS 5, IFRS 7, IFRS 19, and IAS 34.

The amendments to the above mentioned standards did not have significant impact on the presented financial statements.

2. Published standards with mandatory application for annual reporting periods that begin on or after 1 January 2017 that the European Union has already endorsed:

a) IFRS 9 (new), 'Financial instruments' (to be applied in reporting periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition.

The Bank is still assessing the impact of this standard.

b) IFRS 15 (new), 'Revenue from contracts with clients' (to be applied in reporting periods beginning on or after 1 January 2018). This new standard is only applicable to contracts for the delivery of products or service provision. It requires the entity to recognise the revenue when the contractual obligation to deliver assets or provide services is satisfied, and for the amount that reflects the counterpart to which the entity is entitled. Such recognition should use the “5-stage methodology".

Although the Bank is still analysing the impacts to these standards, no significant impacts to its financial statements are to be expected.

3. Published standards (new and amendments) and interpretations with mandatory application for annual reporting periods that begin on or after 1 January 2017 that the European Union has not yet endorsed:

3.1 - Standards

a) IAS 7 (amendment), 'Revision of disclosures' (to be applied in reporting periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment introduces an additional disclosure regarding changes to funding liabilities. These are to be broken down into transactions that resulted in cash flows and those that did not. The way in which this information is reconciled with the cash flows for funding activities on the Cash Flow Statement is also to be disclosed.

b) IAS 12 (amendment), ‘Tax on earnings - Recognition of deferred tax assets for unrealised losses (to be applied in reporting periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment clarifies the way in which deferred tax assets relating to assets measured at fair value should be recognised in the accounts, how to estimate future taxable profits when there are temporary deductible differences and how to assess the recoverability of deferred tax assets when restrictions are imposed on these by tax law.

c) IAS 40 (amendment) 'Transfer of investment properties' (to be applied in reporting periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies that assets can only be transferred to and from the category of investment properties when there is evidence of change of use. A mere change in management intention is not sufficient to warrant the transfer.

d) IFRS 2 (amendment), 'Classification and measurement of share-based payment transactions' (applicable to reporting periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the basis of measurement for cash-settled share-based payment transactions and the accounting of modifications to a share-based payment plan that change its classification from cash-settled to equity-settled. In addition to this, it introduces an exception to the principles of IFRS 2, which will now require that a share-based payment plan be treated as if it were entirely equity-settled, when the employer is obliged to withhold tax from the employee and pay this amount to the tax authority.

e) IFRS 4 (amendment), 'Insurance contracts (application of IFRS 4 with IFRS 9)' (applicable to reporting periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment allows entities issuing insurance contracts the option of recognising the volatility that could arise when IFRS 9 is applied in other comprehensive income rather than in the profit or loss, until the new insurance contracts standard is issued. Furthermore, entities whose main business activity is insurance are given a temporary exemption from applying IFRS 9 until 2021. This exemption is optional and does not apply to consolidated financial statements that include an insurance entity.

f) Changes in IFRS 15, 'Revenue from contracts with clients' (to be applied in reporting periods beginning on or after 1 January 2018). These amendments are still subject to endorsement by the European Union. These amendments refer to the additional instructions to be followed for the purposes of determining the performance obligations of a contract, at the time of recognition of the revenue inflow from an intellectual property licence. They also refer to the revision of the instructions for the classification of the principal versus agent relationship and to the new schemes designed to simplify the transition.

g) IFRS 16 (new), 'Leases' (to be applied in reporting periods beginning on or after 1 January 2019). This standard is still subject to endorsement by the European Union. This new standard replaces IAS 17. It will have a significant impact on accounts reporting for lessees, as these are now obliged to recognise a leasing liability that reflects future lease payments and a "right of use" asset for all leasing contracts, except for certain short-term leases and low-value assets. The definition of a leasing contract has also been amended and is now based on the "right to control the use of a specific asset".

h) Improvements to the 2014-2014 standards, (to be applied, in general, in reporting periods beginning on or after 1 January 2017). This cycle of improvement is still subject to endorsement by the European Union. This improvement cycle affects the following standards: IFRS 1, IFRS 12, and IAS 28.

3.2 - Interpretations

IFRIC 22 (new), 'Foreign currency operations and advance consideration' (to be applied in reporting periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 21 - 'The effects of changes in exchange rates' and relates to the determination of the "transaction date", when an entity pays or receives and advance consideration on contracts expressed in a foreign currency. The "transaction date" determines the exchange rate used to convert foreign currency transactions.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to its financial statements are to be expected.

Summary table of new standards:

Description	Amendment	Effective Date
1. Amendments to standards effective as of 1 January 2016		
• IAS 1 - Presentation of financial statements	Revision of the disclosures under the IASB's "Disclosure Initiative" project.	1 January 2016
• IAS 16 and IAS 38 – Methods for calculating amortisation/depreciation	Depreciation/amortisation methods based on revenue are not permitted.	1 January 2016
• IAS 16 and IAS 41 – Agriculture: Bearer plants	Bearer plants that only produce biological assets for consumption fall within the scope of IAS 16 and are measured using the cost model or the revaluation model.	1 January 2016
• IAS 19 – Defined benefit plans	Accounting of the contributions made by employees and other entities	1 February 2015
• IAS 27 – Separate financial statements	Option to apply the equity method in separate financial statements, to measure investments in subsidiaries, joint ventures and associates.	1 January 2016
• Amendments to IFRS 10, 12 and IAS 28 Investment entities - application of the consolidation exemption	Consolidation exemption applied to investment entities, extendible to a parent company that does not qualify as an investment entity but which is a subsidiary of an investment	1 January 2016

Description	Amendment	Effective Date
	entity.	
• IFRS 11 - Joint arrangements	Accounting of the acquisition of an interest in a joint operation when the operation constitutes a business	1 January 2016
• Improvements to the 2010-2012 standards	Various clarifications: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24	1 February 2015
• Improvements to the 2012-2014 standards	Various clarifications: IFRS 5, IFRS 7, IFRS 19 and IAS 34	1 January 2016
2. Standards already endorsed by the EU that come into effect as from 1 January 2017		
• IFRS 9 - Financial instruments	New standard for the accounting of financial instruments	1 January 2018
• IFRS 15 - Revenue from contracts with clients	Recognition of the revenue arising from the delivery of assets and provision of services, through application of the 5 step method framework.	1 January 2018
3. Standards (new and amendments) and interpretations that come into effect as from 1 January 2017 but which have not yet been endorsed by the EU		
3.1 - Standards		
• IAS 7 – Cash flow statement	Reconciliation of the changes in funding liabilities with the cash flows for funding activities.	1 January 2017
• IAS 12 - Tax on earnings	Carrying of deferred tax assets for assets measured at fair value, the impact of temporary deductible differences in estimating future taxable profits and restrictions on the ability to recover deferred tax assets.	1 January 2017
• IAS 40 - Investment properties	Clarification that evidence of change of use is required if assets are to be transferred to or from the investment properties category.	1 January 2018
• IFRS 2 – Share-based payments	Measurement of cash-settled share-based payment pans, accounting of modifications and the classification of equity-settled share-based payment plans, when the	1 January 2018

Description	Amendment	Effective Date
	employer is required to withhold taxes.	
• IFRS 4 - Insurance contracts (application of IFRS 4 with IFRS 9)	Temporary exemption for insurers from the application of IFRS 9, in reporting periods beginning before 1 January 2021. Specific scheme for assets that fall within the scope of IFRS 4, where these qualify as financial assets at fair value through profit or loss under IFRS 9 and as financial assets at amortised cost under IAS 39. The measurement difference may be recognised in other comprehensive income.	1 January 2018
• Amendments to IFRS 15 - Revenue from contracts with clients	Identification of the performance obligations, the time of recognition of the revenue from IP licences, revision of the instructions for the classification of the principal versus agent relationship and new schemes designed to simplify the transition.	1 January 2018
• IFRS 16 - Leases	New definition of leasing. New accounting of leasing contracts by lessees. There are no changes to the accounting of leases by lessors.	1 January 2019
• Improvements to the 2014-2016 standards	Various clarifications: IFRS 1, IFRS 12, and IAS 28	1 January 2017 / 1 January 2018
3.2 - Interpretations		
• IFRIC 22 – Foreign currency transactions and advance consideration	Exchange rate to apply when the consideration is received or paid in advance.	1 January 2018

2.4 Use of estimates in preparing the Financial Statements

The preparation of the financial statements requires the Group's Management to produce estimates and adopt assumptions that affect the disclosed value of assets and liabilities, revenue and costs and the contingent liabilities. In making these estimates, the Management used its judgement, together with the information available on the date the financial statements are prepared. Consequently, the future amounts actually realised may differ from the estimates made.

The use of such estimates is more significant in the following situations:

Going concern principle

The financial statements were prepared on the going-concern basis, as the Group's Management believes that it has the means and capacity to continue doing business in the foreseeable future. In making this judgement, the Group's Management took into account the information it has on current conditions and forecasts of future profitability, cash flows and equity.

Fair value of financial instruments

Where the fair value of a financial instrument cannot be determined by means of active market prices (marked to market), it is ascertained using valuation techniques that include mathematical models (marked to model). Input data for these models are, wherever possible, observable market data. Where this is not possible, a degree of judgement is required to establish fair value, particularly as regards liquidity, correlation and volatility.

Impairment of loans to clients

Periodically, the Group carries out a valuation of its loans portfolio in order to assess the existence of any evidence of impairment.

As part of this process, the identified clients with non-performing loans and whose outstanding total liabilities are considered to represent a significant exposure for the Group, are analysed on an individual basis in order to assess the need for the register of impairment losses.

These estimates are based on assumptions regarding a number of factors that may change in the future and, as a result, alter impairment amounts. Furthermore, a collective test is carried out for any impairment in all other loans, where these have not been subject to individual analysis. This test process involves assigning the loans to different credit segments, in which the loans share similar characteristics and levels of risk. Collective impairment losses are then estimated for the groups. This calculation is made on the basis of historical loss behaviours for the same type of assets.

Individually analysed loans for which no impairment can be objectively determined are grouped according to their risk characteristics and assessed collectively for impairment.

Whenever a loan is considered uncollectible, and after all efforts at recovery have been made, its impairment loss is estimated at 100% of the total loan amount and it is cancelled in the accounts with a counter-entry equivalent to the value of the loss. The loan is thus written off from the assets.

If written-off loans are later recovered, the recovered amounts are credited into the income statement under the item 'Loans impairment net of recoveries and reversals'.

Impairment in equity instruments

Financial assets available for sale are carried in impairments when there is a significant and prolonged decline in fair values, below the cost price, or when there is other objective evidence of impairment. Determining the degree of decline that may be considered "significant and prolonged" involves making certain judgements. Thus, the Bank has determined that a significant and prolonged decline in the fair value of a capital instrument occurs when:

- the fair value decreases by 30% or more or,
- the fair value decreases over a period in excess of 1 year

Other factors, such as volatility of the asset price, are also taken into consideration.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, to the extent that it is likely that there will be positive tax results in the legally established future period. To this end, judgements are made to determine the amount that may be recognised for deferred tax assets. These are based on the level of future tax results expected as a function of the economic and financial forecasts that have been made at a time of uncertainty as regards the assumption used. If these estimates are not borne out, there is a risk that material adjustments might have to be made to the deferred tax assets in future reporting periods.

Assessment of real estate assets

The assessment service is provided by external independent companies, registered with the CMVM and with the appropriate qualifications, recognised competence and professional experience to perform their duties. Their reports comply with the requirements laid down by CMVM, Bank of Portugal and the Insurance Companies Regulator ("ASF" – *Autoridade de Supervisão de Seguros e Fundos de Pensões*), as well as criteria defined by European Accounting Standardization and the guidelines of International Institutions, such as RICS and TEGoVA.

The assessment procedures require the compilation of a comprehensive dossier of information, which may be based on updated documentation, an inspection of the property and its surrounding area, information from local authorities and other bodies, market analysis, transactions, the supply and demand situation or the development outlook. Base values for calculations, the application of methodologies and the comparison of these are all based on the processing of this information, which includes areas, usages and market prices.

The comparative market method is always used, either directly or as a basis for development cash flows, updated at the valuation date at rates that incorporate the project risk. The replacement cost method is also used directly in the valuation of properties in continuous use and makes an essential contribution in these development scenarios.

All the reports are analysed and validated by the internal technical team. The valuations of these assets, last carried out in December 2016, reflect current market conditions.

The realisation value of these assets depends on the future trend of real estate market conditions.

The real estate assets reported in non-current assets held for sale are presented in note 12.

Valuation of discontinued units

Discontinued units, carried in non-current assets held for sale (see Note 2.14) are measured at the lower of the net book value and the fair value less costs of disposal.

2.5 Principles of consolidation

The consolidated financial statements include the accounts of Banif - Banco de Investimento, SA and entities under its control ("subsidiaries"). Such entities include investment funds in which the Group is adjudged to exercise control. These are, thus, included in the consolidated financial statements.

Subsidiaries are all the entities over which the Group exercises control. The Group exercises control over an entity when it is exposed to, or has rights over, the variable returns generated by the entity, as a result of its involvement with the entity and where it also has the ability to affect these variable returns through the influence that it exerts over the relevant aspects of the entity's business activities.

Subsidiaries are consolidated as from the date on which the Group acquires control. They are excluded from consolidation as from the date on which the Group ceases to exercise such control.

Whenever applicable, the subsidiary's accounts are adjusted to reflect the accounting policies used by the Group.

Balances and transactions between Group entities, resulting from intra-group transactions, are eliminated in the course of the consolidation process. Unrealised losses are also eliminated, except where they relate to an impairment loss on the transferred asset.

The value corresponding to third party holdings in subsidiaries is presented in the 'Non-controlling interests' item, included in equity. When less than 100% control is acquired, and in applying the purchase method, the non-controlling interests may be measured at fair value or at the proportion of the fair value of the assets and liabilities that have been acquired. This option is selected for each transaction individually.

Subsequent disposals or acquisitions of holdings to/from non-controlling interests, where there is no change of control, do not result in the recognition of gains, losses or goodwill. The difference between the transaction value and the book value of this holding is recognised in equity.

2.6 Business combinations and goodwill

The acquisition of subsidiaries is reported by the Group by the purchase method. The acquisition cost corresponds to the fair value, on the transaction date, of the delivered assets, of the accepted liabilities and of the issued equity instruments, plus any costs directly attributable to the transaction. The identifiable assets, liabilities and contingent liabilities of the acquired entity are measured at their fair value, as at the acquisition date. Costs directly attributable to the acquisition are recognised in the income statement for the reporting period.

Goodwill corresponds to the difference between the acquisition cost and the proportion the Group acquires of the fair value of the identified assets, liabilities and contingent liabilities.

Whenever the fair value exceeds the acquisition cost (negative goodwill), the difference is recognised in the "profit or loss" item. Costs directly attributable to the acquisition are recognised in the income statement for the reporting period. When, on the date on which control is acquired, the Group already has a previously acquired holding, the fair value of this holding is included in the calculation of the goodwill or negative goodwill.

When the acquisition cost exceeds the fair value of the assets, liabilities or contingent liabilities, the positive goodwill is reported in the asset, and is not amortised. However, it is subject to annual impairment tests and any calculated impairment losses are registered.

For the purposes of the impairment test, any calculated goodwill is allocated to each of the Cash Generating Units (CGU) that benefited from the business combination transaction. The goodwill allocated to each Unit is subject to an annual impairment test or whenever there is an indication that impairment may exist.

The impairment to the goodwill is determined through calculation of the recoverable amount of each CGU or CGU group that the goodwill relates to. When the recoverable amount for the CGU is less than the amount reported, impairment is recognised.

Impairment losses on goodwill cannot be reversed in future periods.

Financial holdings in jointly controlled companies are consolidated using the equity method. The classification of financial investments in jointly controlled companies is determined on the basis of any shareholder agreements that reflect and regulate the joint control.

2.7 Investments in associates

The following are classified as associates: all entities in which the Group has a significant influence over its operational and financial policies, but not control, and which are neither subsidiaries, nor joint ventures or holdings owned through investment funds, venture capital funds or banks (seed capital) that were initially carried as financial instruments at fair value through profit or loss.

Significant influence exists whenever the Group directly or indirectly holds more than 20%, but less than 50%, of the voting rights and is represented in the management board.

Investments in associates are reported in the Group's consolidated financial statements using the equity method, from the time that the Group first acquires the significant influence to the time until this significant influence is extinguished. The balance sheet value of investments in associates includes the its respective goodwill value determined on acquisition. This value is reported net of any impairment losses.

The investment is initially reported at acquisition cost, plus or minus the recognition of subsequent variations in the percentage holding of the associate's equity. Any negative goodwill is immediately recognised in the profit or loss item. Any dividends distributed by the associates reduce the value of the investment made by the Group.

The value of the investment is subject to an annual impairment analysis.
As well as for the procedure for the subsidiaries, the associate's accounts are adjusted, whenever applicable, to reflect the Group's accounting policies.

2.8 Joint ventures

Joint ventures are considered to be investments in entities in which the Group shares control with another entity. This control share is formalised in a contractual agreement in which strategic, financial and operational business decision-making requires unanimous agreement between the parties sharing control.

The Group's interests in joint ventures are recognised using the equity method.

There are no non-controlling interests under this consolidation method.

2.9 Transaction in foreign currencies

Foreign currency transactions are recorded on the basis of the exchange rates contracted on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into euros at the exchange rate prevailing on the balance sheet date. Non-monetary items valued at fair value are converted on the basis of the prevailing exchange rate on the last valuation date. Non-monetary items kept at historical cost are reported at the original exchange rate.

Foreign currency exchange differences resulting from the conversion are recognised as gains or losses for the period in the income statement, except for those resulting from non-monetary financial instruments classified as available for sale. These latter are counter-entered in a specific equity item until the asset is disposed of.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include Portuguese and foreign currency in cash, on-demand deposits at central banks, on-demand deposits with other banks in Portugal and abroad and cheques for collection at other banks.

2.11 Financial instruments

2.11.1 Initial recognition and measurement of financial instruments

The purchase and sale of financial assets in which the assets are delivered in accordance with deadlines set by regulations or market conventions are recognised at the trade date, i.e., at the date on which the commitment to purchase or sell is made. Derivative financial instruments are similarly recognised on the trade date.

The classification of financial instruments on the initial recognition date depends on their characteristics and the purchase intention. All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issue, except in the case of assets and liabilities at fair value through profit or loss, where such costs are recognised directly in results.

2.11.2 Subsequent measurement of financial instruments

Financial assets held for trading

Financial assets and liabilities held for trading are those that have been acquired with an intention to sell in the short term and make profits from fluctuations in the price or through the trader’s margin. This includes all derivative financial instruments that are not accounted for as hedging operations.

After initial recognition, the gains and losses generated by subsequent measurement at fair value are recognised in the income statement for the year. In the case of derivatives, positive fair values are recorded in assets and negative fair values in liabilities. Interest and dividends or charges are recorded in the corresponding profit/loss accounts when the right to payment of these has been established.

Financial liabilities held for trading also includes short-selling of securities. These operations are reported in the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year, under the item 'Profit/Loss from assets and liabilities measured at fair value through profit or loss'.

Financial assets and liabilities at fair value through profit or loss

These items include financial assets and liabilities, irrevocably classified by the Group on initial recognition at fair value through profit or loss, in accordance with the option available under IAS 39 (fair value option), provided that the conditions for such recognition are met, namely:

i. the recognition eliminates or significantly reduces inconsistencies between the measurement of financial assets and liabilities and the recognition of the corresponding gains or losses (accounting mismatch);
ii. the financial assets and liabilities are part of a group of assets or liabilities, or both, that is managed and the performance of this is assessed on a fair value basis, in accordance with a duly documented investment and risk management strategy; or
iii. the financial instrument incorporates one or more embedded derivatives, except when the embedded derivatives do not significantly modify the contract cash flows, or when it is clear, with little or no analysis, that the embedded derivatives cannot be separated.

After initial recognition, the gains and losses generated by subsequent measurement of the fair value of financial assets and liabilities are reflected in the results for the period in the item 'Profit/loss from assets and liabilities measured at fair value through profit or loss'.
The Group classifies almost the entire securities portfolio that is part of its banking activity as financial assets at fair value through profit or loss. Management and assessment of the performance of this portfolio is based on fair value, with the exception of strategic shareholdings and securities for which it is not possible to obtain reliable valuations.

Financial assets available for sale
Instruments that can be disposed of in response to, or in anticipation of, liquidity needs or changes in interest rates, changes in exchange rates or changes in their market price, and that the Bank has not placed in any of the other categories, are classified under this item. Thus, as at 31 December 2016, this item essentially refers to shareholdings that are considered to be strategic and securities for which it is not possible to obtain reliable valuations.

Following initial recognition, these assets are subsequently measured at fair value. Alternatively, acquisition cost is used when it is not possible to reliably determine a fair value. The corresponding gains and losses are entered in the 'Revaluation reserves' item until they are sold (or impairment losses are recognised), at which point the accumulated value is transferred to results for the period in the form of the 'Profit/loss on financial assets available for sale' item.

The interest inherent in financial assets is calculated in accordance with the effective interest method and recognised in the results in the 'Interest and similar income' item. Dividends are recognised in the results when the right to payment is established, in the 'Income from equity instruments' item. For debt instruments issued in foreign currencies, foreign exchange differences are recognised as profit or loss for the year under the 'Profit or loss on foreign exchange revaluation' item.

Financial assets available for sale are analysed when there are objective signs of impairment, namely when there is a significant or prolonged decline in fair value, below their cost price. Determining the degree of decline that may be considered “significant or prolonged” involves making certain judgements. Given this, the Group believes that a decline in the fair value of an equity instrument of 30% or more, or a decline that lasts more than one year, may be considered significant or prolonged.

Financial assets held to maturity
Financial assets held to maturity are those financial investments with fixed or determinable payments and fixed maturities that the Bank intends and is able to hold through to maturity.

Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Calculation of this amortised cost takes into account the bonus or discount at the acquisition date and other charges directly imputable to the purchase as part of the effective interest rate. The amortisation is recognised in the income statement under the 'Interest and similar income' item.

Impairment losses are recognised in the income statement under the 'Impairment of other financial assets net of reversals and recoveries' item.

Loans and receivables
These are financial assets with fixed or calculable payments that are not listed on an active market, that have not been acquired or originated for the purposes of selling in the short term (held for trading) or classified as financial assets at fair value through profit or loss on initial recognition.

Usually, these assets are initially recognised at the disbursed value, which includes all transaction-related costs, such as fees, that do not take the form of service provision. They are subsequently measured at amortised cost, using the effective interest rate method, and subjected to impairment tests.

The amortised cost is calculated by taking into account earnings or costs directly imputable to the sourcing of the asset as part of the effective interest rate. Amortisation of these earnings or costs is recognised in the income statement under the 'Interest and similar income' item or the 'Interest and similar costs' item. Impairment losses are recognised in the income statement under the 'Credit impairment net of reversals and recoveries' item.

In this item, the Group carries securitised loans that are not traded in an active market. If they were traded in an active market, they would be classified as financial assets available for sale.

Funds from other credit institutions, Client deposits and other loans, Debt securities in issue and Other Subordinated liabilities
These financial liabilities, which essentially consist of funds from credit institutions, client deposits and debt issues not designated as financial liabilities at fair value through profit or loss and whose contractual terms include an obligation to deliver funds or financial assets to the holder, are initially recognised at the value of the consideration received net of direct transaction costs. They are subsequently valued at amortised cost, using the effective interest method. Amortisation is recognised in the income statement under the 'Interest and similar costs' item.

Repos and Reverse repos

Repos are sales of financial assets associated with a repurchase agreement on a future date. The amount received from the sale (funding) has an underlying interest rate (Repo rate). The funding amount is carried in the 'Deposits from other credit institutions' item, at the contract price, which corresponds to the net consideration received. The interest payable is recognised on an accrual basis and carried in the 'Interest and similar charges' item. The counterpart holds the securities as collateral for the funding.

A reverse repo is the purchase of financial assets associated with a repurchase agreement at a future date, for a fixed price or a price equal to the purchase price plus interest for the operation period. Reverse repos are not recognised on the balance sheet. The value of the purchase, carried as 'loans to other financial institutions' or 'loans to clients', as appropriate, and the interest receivable are recognised on an accrual basis and carried in 'Interest and similar charges'.

Fair value of financial assets and liabilities

As stated above, the financial instruments reported as financial assets and liabilities held for trading, at fair value through profit or loss, or as financial assets available for sale, are valued at fair value.

Under IFRS 13, the fair value of a financial instrument corresponds to the amount for which a financial asset or liability may be sold or settled between independent and informed parties interested in pursuing the transaction under normal market conditions.

The Group determines the fair value of its financial assets and liabilities held for trading, at fair value through profit or loss, or available for sale in accordance with the following criteria:

- ✓ Prices on an active market, or
- ✓ Evaluation methods and techniques, when there is no active market, that are underpinned by: (i) valuation techniques which include the prices of recent transactions of equivalent instruments and (ii) other valuation methods normally used by the market (discounted cash flow, option valuation models, etc.).

Floating rate assets (e.g. shares), and the derivative instruments they underpin, for which it is not possible to obtain reliable valuations are kept at acquisition cost, less any impairment losses.

Derivative financial instruments

As part of its normal business activity, the Bank makes use of a number of derivative financial instruments. It does so to satisfy its clients' needs and also to manage its own interest rate risk positions or other market risks. These instruments involve varying degrees of credit risk (maximum potential book loss due to default by counterparties on their respective contractual obligations) and market risk (maximum potential loss due to change in the value of a financial instrument as a result of interest rate, exchange rate or price fluctuations).

The notional value of derivatives operations are used to calculate the flows to be exchanged in contractual terms, in net terms where applicable. Although these constitute the most common measure of volume in these markets, they do not correspond to any quantification of the credit or market risk of the operations concerned. For interest or exchange rate derivatives, the credit risk is measured by the replacement cost at current market prices, for those contracts in which a position of potential gain is held (positive market value), in the event of the counterparty's default.

Derivatives embedded in other financial instruments are separated from the host instrument whenever their associated risks and characteristics are not too closely related to those of the host contract and the totality of the instrument is not designated on initial recognition as being at fair value through profit or loss (fair value option).

Subsequent measurements of fair value are recognised in profit/loss for the period, as are the measurements of the fair value of the hedged instrument, in the 'Profit/loss from assets and liabilities measured at fair value through profit or loss' item.

The Bank only holds derivative financial instruments for trading, as these instruments do not meet the requirements for hedging.

2.12 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised when:

1. the entitlement to receive cash flows from the asset expires; or
2. the entitlement to receive cash flows has been transferred, or an obligation has been accepted to pay the receivable cash flows in full, with no material delay, to third parties in the context of a pass-through agreement; and
3. The risks and benefits of the assets have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows have been transferred or when a pass-through agreement has been signed, where not all the risks and benefits of the asset have been substantially transferred or retained and control over the asset has not been transferred, the financial asset is recognised to the extent of continued involvement. This is measured at the lesser between the original value of the asset and the maximum value of the payment which could be claimed from the Group.

When continued involvement takes the form of a purchase option over the transferred asset, the extent of the continued involvement is the value of the asset which may be repurchased, except in the case of a sale option measurable at fair value. For this latter case, the value of the continued involvement is limited to the lower of the fair value of the asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty, but on substantially different terms from those initially established or if the initial terms are substantially changed, such replacement or modification is dealt with as a derecognition of the original liability and the recognition of a new liability and any difference between their values is recognised in the income statement.

Financial liabilities held for trading includes short-selling of securities. These operations are reported on the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year under the item 'Profit/loss from assets and liabilities measured at fair value through profit or loss'.

2.13 Impairment of financial assets

Financial assets at amortised cost

The Group regularly assesses whether or not there is objective evidence of impairment in financial assets reported at amortised cost. These assets include investments at credit institutions, instruments held to maturity, client loans and all receivables. Any identified impairment losses are entered with a counter-entry in the income statement.

Whenever, in a subsequent reporting period, there is a fall in the value of the estimated impairment loss, the amount previously recognised is reversed by adjusting the account for impairment losses. The amount of the reversal is recognised directly in the income statement, in the same item.

A loan, or a portfolio of client loans, defined as a set of credits with similar risk characteristics, is impaired whenever:

- there is objective evidence of impairment resulting from one or more events which occurred after initial recognition; and
- when this event (or events) has an impact on the recoverable value of future cash flows from the loan or portfolio of client loans, and this impact can be realistically estimated.

The existence of impairment losses in individual terms is assessed by means of a case-by-case analysis of the situation of clients whose total credit exposure is regarded as significant. For each client, the Group assesses the existence of any objective evidence of impairment, at each balance sheet date. This assessment takes into account the following factors:

- The client's economic and financial situation;
- The client’s overall exposure and any existing default on loans within the Group or in the rest of the financial system;
- Commercial information on the client;
- Analysis of the business sector in which the client operates, where applicable; and
- The links between the client and the group to which it belongs, where applicable, and, thus, analysis of the group in terms of the same individual client variables as above.

In determining impairment losses on an individual basis, the following factors are taken into account:

- The economic and financial feasibility of the client generating sufficient cash flow to be able to service the debt in the future;
- The value of the associated real guarantees and the estimated recoverable amount and recovery period; and
- The client's assets in situations of liquidation or bankruptcy and the existence of preferential creditors.

Loans analysed on an individual basis, for which impairment has been determined as being below the portfolio IBNR (incurred but not reported), are grouped according to their similar risk characteristics and assessed collectively for impairment.

Loans analysed on an individual basis for which impairment is detected are not included in this collective assessment.

Whenever an impairment loss is identified in individually assessed customer loans, the amount of the loss is determined by the difference between the book value of that loan and the present value of its estimated future cash flows, discounted at the original interest rate for the contract. On the balance sheet, loans to customers are reduced by using an impairment losses account, with the amount recognised in the profit and loss statement under the 'Impairment of loans net of recoveries and reversals' item. For loans with floating interest rate, the discount rate used to determine any impairment loss is the effective annual rate set in the contract.

Calculation of the present value of estimated future cash flows from collateralised loans reflects the cash flows which may result from the recovery and disposal of the collateral, less the costs involved in any such recovery and sale.

Financial assets available for sale

In addition to any of the abovementioned signs of impairment for financial assets reported at amortised cost, IAS 39 also provides for the following specific signs of impairment in equity instruments:

- ✓ Information on significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates, where these suggest that the investment cost will not be fully recovered; and
- ✓ A significant or prolonged decline in market value below cost price.

At each balance sheet date, the financial assets available for sale are analysed for any objective evidence of impairment, namely when there is a significant or prolonged decline in fair values, below cost price. Determining the degree of decline that may be considered "significant or prolonged" involves making certain judgments. The Group has decided that a decline in the fair value of an equity instrument of 30% or more (30% in 2014) or a decline for more than 1 year (1 year in 2014) may be considered significant or prolonged.

Whenever there is objective evidence of impairment, accumulated losses which have been recognised in reserves are transferred to costs for the year, in the form of impairment losses. These are reported under the 'Impairment of other assets net of reversals and recoveries' item.

Impairment losses on equity instruments cannot be reversed. This means that any potential gains originating after the recognition of impairment losses are reported under the 'Fair value reserve' item. If any additional losses are subsequently determined, impairment is still deemed to exist and these losses are reflected in the profit or loss for the reporting period.
The Group also carries out periodic analyses of impairment in financial assets recognised at cost, specifically unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value corresponds to the best estimate of the future flows receivable from the asset, discounted at a rate which properly reflects the risk associated with holding the asset.

The value of the impairment loss is recognised directly in the income statement for the year. Impairment losses on these assets also cannot be reversed.

2.14 Non-current assets held for sale

Non-current assets are classified as held for sale whenever it is determined that their balance sheet value will be recovered through sale. This condition is met only when such a sale is highly likely and the asset is available for immediate sale in its current condition. The sale should take place within a maximum period of one year following classification in this item. An extension of the period during which the sale must be completed does not exclude an asset (or group of assets) from being classified as held for sale if the delay is caused by events or circumstances outside the Bank's control and the commitment to sell the asset is maintained.

In 2016, the Group recorded financial holdings held with the intention and expectation of disposing of them in the short term (1 year) as non-current assets held for sale. In this item, the Group also recognises properties received in payment of own credit.

The assets recognised in this category are measured at the lower of their acquisition cost and their fair value, determined on the basis of expert independent valuations, less costs incurred in the sale, or at their sale price already agreed with a third party. These assets are not amortised.

Should the assets classified to this category no longer meet the requirements for immediate sale, they are reclassified as 'Investment properties', as to real estate properties is concerned, and they are reclassified as "Investments in subsidiaries and associates' as to financial holdings is concerned.

The principles underpinning the use of estimates are applied to the valuation of real estate properties (see note 2.4).

2.15 Other tangible fixed assets

'Tangible fixed assets' item includes buildings for the company's own use, vehicles and other equipment.

Buildings used by the Group for its own business purposes are classified as own-use buildings. Own-use buildings are valued at historic cost and are re-valued in accordance with the applicable legal provisions, less any subsequent depreciations.

The remaining tangible fixed assets are recorded at cost, less subsequent depreciation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs when they occur.

Tangible assets are depreciated using the straight-line method, according to their expected useful life, which is:

Property	[10 – 50] years
Vehicles	[3 - 4] years
Other equipment	[2 – 15] years

A tangible asset is derecognised when sold or when no future economic benefits are expected to accrue from its use or sale. On the derecognition date, the gain or loss calculated as the difference between the net sale value and the net book value is recognised in the 'Other operating profit/loss' item of the income statement.

2.16 Intangible assets

Intangible assets, which mainly consist of software, are recorded at acquisition cost, less accumulated amortisation and impairment losses. Amortisation is recorded on a linear basis, over the estimated useful lifespan of the assets. This is currently set at between 3 and 8 years.

The Calypso software has an estimated useful life of 8 years.

Intangible assets may include capitalised internal expenses, namely associated with in-house software development. For this purpose, these costs are only capitalised from the point at which the conditions stipulated in standard IAS 38 are met, namely the requirements inherent to the development phase.

2.17 Investment properties

The properties carried in the investment properties category are initially recognised at acquisition cost, including transaction costs, and are subsequently revalued at fair value. The valuations of such properties are carried out by independent expert appraisers registered with the Portuguese

Securities Market Commission. The fair value of the investment properties reflects market conditions at the balance sheet date. Any changes are recognised in earnings for the year.

Investment properties are derecognised when they are disposed of or when ownership is no longer expected to result in future economic benefits. On disposal the difference between the net disposal value and the recorded value of the asset is recognised in results in the reporting period covering the disposal.

2.18 Income Taxes

The expenses or income recognised as income taxes correspond to the sum of current tax on earnings expense or income and deferred tax on earnings expense or income.

Current tax is calculated on the basis of the prevailing tax rate.

The Group reports as deferred tax liabilities or assets those amounts relating to the recognition of taxes that are payable/recoverable in the future and which result from unrealised tax losses and temporary taxable/deductible differences, particularly those related to provisions, revaluations of securities and derivatives that are only taxable at the time of realisation, the tax regime for pension liabilities and other employee benefits and non-taxable capital gains for reinvestment.

Deferred tax assets and liabilities are calculated and assessed on an annual basis, using the taxation rates expected to be in force at the date of reversal of the temporary differences. In practice, these are the rates approved or substantially approved at the balance sheet date. Deferred tax liabilities are always reported. Deferred tax assets are only recorded to the extent that it is likely that there will be sufficient future taxable income to allow their use.

It should be noted that the Group met the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits, as provided for in Law no. 61/2014, of 26 August. After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme.

In 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits, maintaining 313 thousand euros in deferred tax assets. At the same time, it set up a special reserve in favour of the State in the amount of the tax credit, plus a margin of 10%, which therefore totalled 486 thousand euros (see Note 28). The creation of a special reserve required the simultaneous setting up of conversion rights attributed to the State.

In this context, BBI decided not to issue any securities until it had received answers to the questions raised and submitted to the competent authorities. These questions pertained to the verification of the compliance of the abovementioned scheme with all legal and procedural requirements.

It is to be noted that, although the applicable legislation requires the issue of securities to set up conversion rights in favour of the State, the legislature has not yet given its opinion on the type of security that must be issued for this purpose.

Income Taxes (current and deferred) are carried in the profit and loss statement for the year, except in those cases in which the transactions that gave rise to the tax are carried in other equity items. In these situations, the corresponding tax is also entered against equity, without affecting the profit or loss for the year.

2.19 Provisions and contingent liabilities

A provision is triggered whenever there is a present obligation (legal or constructive) resulting from past events for which future disbursement of resources is likely and this disbursement can be reliably determined. The provision is the Bank's best estimate of the amounts that will have to be disbursed in order to settle the liability at the balance sheet date. If the time effect of the cost of the money is significant, the provisions are discounted using a pre-tax interest rate that reflects the specific risk of the liability. In these cases, the increase in the provision over time is recognised under financial costs.

Where future disbursement of resources is not likely, a contingent liability is recognised. Contingent liabilities are subject only to disclosure, unless the possibility of their being materialised is remote. This rule does not apply to contingent liabilities associated with the acquisition of businesses, as these are recognised in accordance with IFRS 3.

2.20 Recognition of income and costs

Income and costs are generally recognised according to the timing of the operations concerned, in accordance with the accrual concept, i.e. they are recorded as they are generated, independently of when they are collected or paid. Income is recognised to the extent that it is likely that the economic benefits associated with the transaction will flow to the Bank and the amount of income can be reliably measured.

For financial instruments measured at amortised cost and for financial instruments classified as 'Financial assets available for sale', interest is recognised using the effective interest method. This is the rate that exactly discounts the set of future cash receipts and payments expected until maturity, or until the next re-pricing date, for the currently recorded net amount of the financial asset or liability. When the effective interest rate is calculated, future cash flows are estimated, taking into account the contractual terms and all other income or costs directly attributable to the contracts.

2.21 Recognition of dividends

Dividends are recognised when the Group is virtually certain to receive them, insofar as they are duly and formally recognised by the competent bodies at the subsidiaries, in conformity with paragraph 30 of IAS 18, corroborated by the provisions of paragraph 33 of IAS 37, on virtually certain assets, and by the fact that there are no provisions in IAS 10 on subsequent events, that contradict this framing. Moreover, the provisions of Bank of Portugal's Circular no. 18/2004/DSB do not oppose any such approach.

2.22 Income and charges for services and commissions

The Group earns fees from its clients for providing a broad range of services. These include fees for the provision of ongoing services, for which clients are usually debited on a periodic basis, and fees charged for carrying out a specific significant act.

Fees charged for services provided during a given period are recognised over the duration of the service. Fees related to the performance of a significant act are recognised at the moment the act in question occurs.

The fees and charges associated with financial instruments are included at the effective interest rate of such instruments.

2.23 Voluntary changes in accounting policies

In 2016, there were no voluntary changes in accounting policies in relation to those considered in the preparation of the financial information for the previous year, as presented in the comparative statements.

2.24 Accrual Principle

The Group applies the accrual principle to most of the items in its financial statements. Thus, income and costs are recognised as they are generated, irrespective of when they are actually received or paid.

3. GROUP ENTITIES

The Group is comprised of the following entities:

Dec/16

Entity	% CONSOLIDATION	Consolidation Method	Net Assets	Equity	Net Profit / (Loss)
Banif - Banco de Investimento	100.00%	Purchase Method	124,567	22,187	(5,791)
Banif Gestão de Activos	100.00%	Purchase Method	7,323	4,855	18
Banif Capital	100.00%	Purchase Method	1,420	234	(3,031)
Banif International Asset Management	100.00%	Purchase Method	1,940	655	(163)
Banif Multi Fund	100.00%	Purchase Method	240	219	1
Banif US Real Estate	100.00%	Purchase Method	12,056	9,442	-
Art Invest	88.92%	Purchase Method	998	845	(61)
Turirent	100.00%	Purchase Method	7,224	6,700	(107)
MCO2	25.00%	Equity Method	2,181	2,025	(231)

In 2016, the holdings in Gamma and Banif Pensões were sold and the Banif Reabilitação Urbana fund was liquidated.

Dec/15

Entity	% CONSOLIDATION	Consolidation Method	Net Assets	Equity	Net Profit / (Loss)
Banif - Banco de Investimento	100.00%	Purchase Method	142,361	27,980	(39,528)
Banif Gestão de Activos	100.00%	Purchase Method	8,691	4,837	287
Banif Capital	100.00%	Purchase Method	4,522	(422)	(1,514)
Banif International Asset Management	100.00%	Purchase Method	1,915	792	119
Banif Multi Fund	100.00%	Purchase Method	239	218	4
Gamma	100.00%	Purchase Method	7,359	6,441	468
Banif US Real Estate	100.00%	Purchase Method	11,672	9,142	-
Art Invest	88.92%	Purchase Method	132	907	15
Turirent	100.00%	Purchase Method	7,023	6,606	(863)
Banif Reabilitação Urbana	100.00%	Purchase Method	5,735	5,718	(279)
Banif Pensões	56.49%	Purchase Method	7,005	6,525	385
MCO2	25.00%	Equity Method	2,411	2,256	(91)

The following Group entities submit audited accounts: Banif – Banco de Investimento, SA, Banif Gestão de Activos, Banif Capital, Art Invest, Turirent and MCO2.

BBI's Board believes that the value of the assets and liabilities held by the non-audited entities in the Group are correctly recognised in the consolidated accounts.

Banif International Asset Management, Banif Multi Fund and Banif US Real are not audited because there is no statutory requirement for this. These companies are all undergoing voluntary liquidation and await formal closure of the process, which is expected to occur in 2017.

4. SEGMENT REPORTING

The Group only reports by segment in its individual accounts as this is where the Group's relevant business activity lies. Thus, the following information pertains to the Bank's individual accounts.

In the Bank's segment report, as at 31 December 2016, the primary reporting is based on business areas. These include Corporate Finance, Capital Markets, Sales & Trading, Wealth Management, Client Management, Legacy and other activities.

The division amongst the various business processes took into account the nature of the processes, the similarities between them, the organisation and the management processes in use at the Bank.

The reports used by management are essentially based on accounting information. There are no differences between the measurements of income, losses, assets and liabilities in the different segments.

In 2016, changes were made to the reporting of business segments, in order to better reflect the internal reorganisation that had already taken place at the Bank. More specifically, the new client management business segment brought together the 2015 reporting segments of Depositary Bank and Treasury (as these pertained to client business) and the new Sales and Trading segment consolidates the 2015 reporting segments of Proprietary Trading and Brokerage.

Thus the business segments reported by the Bank in 2016 cover the following business activities:

- Corporate Finance: Financial advisory;
- Capital Markets: Structuring of equity and bond issuances; origination and management of commercial paper programmes;
- Sales & Trading: Own portfolio - Bonds; Brokerage;
- Wealth Management: Investment Advisory; Discretionary Management;
- Client Management: Corporate & Private Banking; Depositary Bank for Funds;
- Legacy: Legacy portfolios (funds and shares); Financial Holdings for Sale; Properties for Sale; Real Estate Credit; Structured Finance;
- Others: Other activities not included in the above segments.

Business segments as at 31 December 2016:

	Corporate Finance	Capital Markets	Sales & Trading	Wealth Management	Client Management	Legacy	Others	Total
Interest and similar income	-	-	101	-	67	(923)	1,182	427
Interest and similar expenses	-	-	1	-	352	(248)	(1 036)	(931)
Net Interest Income	**-**	**-**	**102**	**-**	**419**	**(1 171)**	**146**	**(504)**
Income from equity instruments	-	-	-	-	-	458	-	458
Fees and commissions income	665	246	263	679	2 564	61	12	4 490
Fees and commissions expenses	(5)	(16)	(159)	(89)	(55)	(11)	(30)	(365)
Income from assets and liabilities valued at fair value through profit or loss	-	-	441	(2)	1	(5 961)	-	(5 521)
Income from financial assets available for sale	-	-	-	-	-	(1 110)	-	(1 110)
Income from foreign exchange revaluation	-	-	-	-	-	-	59	59
Other operating income	(13)	(41)	(55)	217	(140)	277	(5)	240
Net Operating Income	**646**	**189**	**592**	**806**	**2 788**	**(7 456)**	**182**	**(2 253)**
Personnel Costs	(97)	(271)	(429)	(203)	(482)	(186)	(753)	(2 422)
Overheads	(110)	(173)	(845)	(125)	(438)	(254)	(936)	(2 880)
Depreciations and amortisations	(7)	(21)	(46)	(17)	(38)	(459)	(31)	(619)
Provisions net of refunds and write-offs	-	-	-	-	(437)	102	-	(335)
Loan impairment net of reversals and recoveries	-	-	-	-	-	(338)	-	(338)
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	-	646	3	649
Impairment of other assets net of reversals and recoveries	-	-	-	-	(341)	(74)	-	(415)
Profit/(Loss) before Taxes	**431**	**(275)**	**(727)**	**459**	**1 052**	**(8 019)**	**(1 536)**	**(8 613)**
Current	(13)	(8)	(22)	(14)	(42)	(146)	(56)	(301)
Deferred	-	-	-	-	-	-	-	-
Profit/(Loss) after Taxes	**418**	**(283)**	**(749)**	**446**	**1 010**	**(8 165)**	**(1 592)**	**(8 914)**
Profit / (Loss) from discontinued operations	-	-	-	-	-	3 123	-	3 123
Net Profit/(Loss) for the Year	**418**	**(283)**	**(749)**	**446**	**1 010**	**(5 042)**	**(1 592)**	**(5 791)**

Business segments as at 31 December 2015:

	Corporate Finance	Capital Markets	Wealth Management	Brokerage	Proprietary Trading	Custodian Bank	Treasury	Legacy	Others	Total
Interest and similar income	4,010	17	-	-	297	-	358	-	-	4,682
Interest and similar expenses	(2,404)	(7)	-	(1)	(70)	-	521	(1,771)	(140)	(3,872)
Net Interest Income	**1,606**	**10**	**-**	**(1)**	**227**	**-**	**879**	**(1,771)**	**(140)**	**810**
Income from equity instruments	-	-	-	-	7	9	-	331	-	347
Fees and commissions income	1,501	612	1,082	629	-	2,493	353	-	-	6,670
Fees and commissions expenses	(2)	(4)	(165)	(171)	(48)	(76)	(5)	(4)	(47)	(522)
Income from assets and liabilities valued at fair value through profit or loss	(2,133)	(2)	-	(2)	653	-	-	(12,016)	-	(13,500)
Income from financial assets available for sale	-	-	-	-	-	-	(5)	(5)	-	(10)
Income from foreign exchange revaluation	-	-	-	-	-	-	129	-	-	129
Income from the disposal of other assets	-	-	-	-	-	-	-	-	-	-
Other operating income	(15)	(18)	(143)	(23)	(12)	(218)	(104)	(39)	36	(536)
Net Operating Income	**957**	**598**	**774**	**432**	**827**	**2,208**	**1,247**	**(13,504)**	**(151)**	**(6,612)**
Personnel Costs	(310)	(385)	(403)	(365)	(268)	(291)	(334)	(329)	51	(2,634)
Overheads	(150)	(201)	(235)	(559)	(418)	(353)	(183)	(248)	(110)	(2,457)
Depreciations	(11)	(16)	(18)	(25)	(13)	(92)	(9)	(459)	(27)	(670)
Provisions net of refunds and write-offs	-	-	-	-	-	-	-		(3,063)	(3,063)
Loan impairment net of reversals and recoveries	397	7	-	-	-	-	(1,962)	(2,848)		(4,406)
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	-	-	-	(2,160)	-	(2,160)
Impairment of other assets net of reversals and recoveries	60	37	-	-	-	(398)	(16)		20	(297)
Profit/(Loss) before Taxes	**943**	**40**	**118**	**(517)**	**128**	**1,074**	**(1,257)**	**(19,548)**	**(3,280)**	**(22,300)**
Current	(17)	(1)	(2)	(9)	(2)	(20)	(12)	(461)	(13)	(537)
Deferred	-	-	-	-	-	-	-	(16,941)	-	(16,941)
Profit/(Loss) after Taxes	**926**	**39**	**116**	**(526)**	**126**	**1,054**	**(1,269)**	**(36,950)**	**(3,293)**	**(39,778)**
Profit / (Loss) from discontinued operations	-	-	-	-	-	-	-	250	-	250
Net Profit/(Loss) for the Year	**926**	**39**	**116**	**(526)**	**126**	**1,054**	**(1,269)**	**(36,700)**	**(3,293)**	**(39,528)**

The interest figures reported in the business segments include intra-segment interest pertaining to funding costs and/or the application of raised funds.

Geographic segments

Almost all the Group's business activity is carried out in Portugal. The business done outside Portugal has no material impact at the Group level.

5. CASH AND BALANCES AT CENTRAL BANKS

This item breaks down as follows:

	2016	2015
Cash	2	2
On-Demand Deposits at Bank of Portugal	31,825	15,761
	31,827	15,763

The 'Demand Deposits at Bank of Portugal' item includes the deposits set up to meet the Eurosystem's Minimum Reserve Requirements. The minimum reserve corresponds to 1% of deposits and debt securities with maturities of up to 2 years, excluding any liabilities to other institutions subject to, but not exempt from, the same minimum reserve requirement and the liabilities to the European Central Bank and to National Central Banks participating in the euro.

6. BALANCES AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	2016	2015
On-Demand Deposits		
In Portugal	914	4,061
Abroad	2,031	4,370
	2,945	8,431

7. FINANCIAL ASSETS HELD FOR TRADING

This item breaks down as follows:

	2016	2015
Securities portfolio	10,441	2,542
Derivative instruments with positive fair value	-	2
	10,441	2,544

This item comprises securities and derivative financial instruments that are wholly classified as being held for trading. The negative fair value of the derivatives is recognised in the 'Financial liabilities held for trading' item.

At the reporting date, the Group had no exposure to derivative instruments. The derivatives carried in previous periods were essentially related to the loan portfolio, which was partly disposed of.

Description	Currency	2016			2015		
		Notional Values	Fair Value positive	Fair Value negative	Notional Values	Fair Value positive	Fair Value negative
Currency Forwards							
Financial Institutions	EUR	-	-	-	553	2	-
Clients	EUR	-	-	-	567	-	3
Interest Rate Swaps							
Financial Institutions	EUR	-	-	-	-	-	-
Clients	EUR	-	-	-	11,203	-	453
TOTAL		**-**	**-**	**-**	**12,323**	**2**	**456**

In 2016, and because the Bank had contracted derivative financial instruments, it had the following margin accounts:

Entity	2016	2015
Banco Santander Totta	-	2,230
Barclays Bank	-	450
	-	2,680

Any margin accounts that do exist are recognised in the 'Balances at other credit institutions' item. As at 31 December 2016, the Group had no margin accounts for derivative financial instruments.

Details of the securities portfolio, as at 31 December 2016:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
Debt Instruments					**10,441**
Issued by residents					
Of portuguese public debt					
PORTB 0 01/20/17	EUR	10,000,000	1.00	Fair Value	10,001
From foreign public issuers					
BANCO NAC DESENV ECON 09/17	EUR	50,000	1.02	Fair Value	52
From other non-residents					
Others					
COSAN FINANCE LTD 02/01/2017	USD	5,000	1.00	Fair Value	5
EDP FINANCE BV 6 02/18	EUR	200,000	1.04	Fair Value	202
GERDAU HOLDINGS INC	USD	50,000	1.08	Fair Value	53
BANCO DO BRASIL (CAYMAN) 01/20	USD	70,000	1.06	Fair Value	72
VOTORANTIM PARTICIPACOES 6 3/4 4/21	USD	35,000	1.05	Fair Value	36
BANCO ABC-BRASIL SA 7 7/8 04/20	USD	20,000	1.06	Fair Value	20
Equity Instruments					-
Issued by residents					
BANIF SA	EUR	565,574	0.00	Fair Value	-
BUCIQUEIRA-S.G.P.S., S.A.	EUR	2	0.00	Fair Value	-
Issued by non-residents					
AMERICAN INTERNATIONAL - CW21	USD	1	23.46	Fair Value	-
Total					**10,441**

Details of the securities portfolio, as at 31 December 2015:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt Instruments					**1,825**
Issued by non-residents					
Of foreign public issuers					
FED REPUBLIC OF BRAZIL	BRL	150,000	1.00	Fair Value	36
FED REPUBLIC OF BRASIL	USD	20,000	0.87	Fair Value	17
BANCO NAC DESENV ECON 09/17	EUR	12,000	0.94	Fair Value	11
From other non-residents					
Others					
Non-subordinated debt					
VALE OVERSEAS LIMITED 01/34	USD	10,000	0.82	Fair Value	8
MARFRIG OVERSEAS LTD 11/16/2016	USD	34,000	1.02	Fair Value	32
TAM CAPITAL INC 04/25/2017	USD	50,000	0.95	Fair Value	44
BANCO VOTORANTIM 7 3/8 01/20	USD	50,000	0.97	Fair Value	46
VOTORANTIM PARTICIPACOES 6 3/4 4/21	USD	35,000	0.98	Fair Value	32
BANCO INDUSTR E COMRCL 04/27/20	USD	50,000	0.99	Fair Value	46
PEMEX PROJ FDG MASTER TR 08/16	EUR	10,000	1.03	Fair Value	12
BFF INTERNATIONAL LTD 7 1/4 01/20	USD	100,000	1.07	Fair Value	101
SUZANO TRADING BAHIA 5 7/8 01/21	USD	50,000	0.97	Fair Value	46
PETROLEOS MEXICA PEMEX 6 5/8 49-15	USD	150,000	0.93	Fair Value	127
PETROLEOS MEXICA PEMEX 6 03/05/20	USD	47,000	1.04	Fair Value	46
BANCO SAFRA CI BANSAF6 3/4 01/21	USD	17,000	1.02	Fair Value	16
BR MALLS INTL FI BRMLBZ8 1/2 49-16	USD	45,000	0.78	Fair Value	33
EDP FINANCE BV 4.9 10/19	USD	100,000	1.03	Fair Value	96
PETROLEOS MEXICA PEMEX 4 7/8 01/22	USD	100,000	0.96	Fair Value	90
PETROBRAS 4 7/8 03/18	EUR	50,000	0.83	Fair Value	44
VALE OVERSEAS 4 3/8 01/22	USD	25,000	0.76	Fair Value	18
GLOBO COMMUN PAR 4 7/8 04/22	USD	200,000	0.97	Fair Value	180
EMPRESA BRAS DE AERONAU 5.15 06/22	USD	23,000	0.98	Fair Value	21
BANCO SANTANDER BRAS CI 8 03/18/16	BRL	50,000	0.98	Fair Value	12
EDP FINANCE BV 4 1/8 01/21	EUR	150,000	1.08	Fair Value	168
PETROLEOS MEXICANOS 3 1/2 01/23	USD	10,000	0.87	Fair Value	8
GALP ENERGIA SGPS S.A. 4 1/8 01/19	EUR	200,000	1.05	Fair Value	218
PETROLEOS MEXICANOS 3 1/2 07/18	USD	21,000	0.99	Fair Value	19
PETROBRAS GLOBAL FINANCE2 3/4 01/18	EUR	50,000	0.82	Fair Value	42
EDP FINANCE BV 2 5/8 04/19	EUR	100,000	1.04	Fair Value	105
FIBRA OVERSEAS FINANCE 5 1/4 05/24	USD	25,000	0.95	Fair Value	22
BRF - BRASIL FOODS SA 4 3/4 05/24	USD	150,000	0.91	Fair Value	129
2 - Equity instruments					**287**
Issued by residents					
ELECTRICIDADE DE PORTUGAL, SA	EUR	50	3.32	Fair Value	-
BANCO COMERCIAL PORTUGUÊS	EUR	1,000	0.05	Fair Value	-
GALP ENERGIA SGPS-NOM	EUR	20	10.72	Fair Value	-
BANIF SA	EUR	565,574	0.00	Fair Value	1
Banif Iberia	EUR	52,727	5.38	Fair Value	284
Cipan	EUR	27,451	0.08	Fair Value	2
Issued by non-residents					
ACS ACTIVIDADES CONS Y SERV	EUR	10	27.02	Fair Value	-
PARMALAT FINANZIARIA SPA	EUR	30,000	0.00	Fair Value	-
EASYJET PLC (LN)	GBP	8	17.40	Fair Value	-
AMERICAN INTERNATIONAL - CW21	USD	1	23.76	Fair Value	-
3 - Others					**430**
Issued by residents					
REN 6.25 2016	EUR	25,000	1.03	Fair Value	26
PC EstorilSo 2.0 18ª	EUR	400,000	1.00	Fair Value	402
MOTA-ENGIL SGPS SA 6.85 03/18/16	EUR	2,000	1.00	Fair Value	2
Total					**2,542**

As required under subparagraph c), no. 2, of Bank of Portugal's Instruction no. 18/2005, the securities that will come to maturity within one year are:

Security	Maturity Date	Balance Sheet Value
PORTB 0 01/20/17	20/01/2017	10,001
BANCO NAC DESENV ECON 09/17	15/09/2017	52
COSAN FINANCE LTD 02/01/2017	01/02/2017	5

8. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item, as at 31 December 2016, are as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
Equity Instruments					**28,300**
Issued by residents					
GALERIAS NAZONI	EUR	750	0.00	Fair Value	-
FINPRO SCR, SA	EUR	407,461	0.00	Fair Value	-
BANIF IMOPREDIAL	EUR	3,784,630	4.46	Fair Value	16,886
BANIF IMOGEST	EUR	200,735	18.08	Fair Value	3,629
NEW ENERGY FUND	EUR	183	6,543.56	Fair Value	1,197
PORTO NOVO F.I.I.F.	EUR	20,788	55.78	Fair Value	1,160
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	55.00	Fair Value	2,200
BANIF CAPITAL INFRASTRUCTURE FUND	EUR	1,635	0.00	Fair Value	-
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	0.00	Fair Value	-
BANIF US REAL ESTATE FUND CLASS	USD	126,845	0.00	Fair Value	-
GED SUR FCR-CL A	EUR	100	58.81	Fair Value	6
GED SUR FCR-CL B	EUR	49,900	58.81	Fair Value	2,935
FINE ART FUND	USD	18,169	16.66	Fair Value	287
Total					**28,300**

The details of this item, as at 31 December 2015, were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
2 - Equity instruments					**37,161**
Issued by residents					
GALERIAS NAZONI	EUR	750	-	Fair Value	-
FINPRO SCR, SA	EUR	407,461	-	Fair Value	-
BANIF IMOPREDIAL	EUR	3,784,630	5.42	Fair Value	20,502
BANIF IMOGEST	EUR	200,735	24.53	Fair Value	4,924
NEW ENERGY FUND	EUR	177	5,680.22	Fair Value	1,005
PORTO NOVO F.I.I.F.	EUR	20,788	65.26	Fair Value	1,357
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	55.00	Fair Value	2,200
BANIF CAPITAL INFRASTRUCTURE FUN	EUR	1,635	-	Fair Value	-
BANIF IBERIA	EUR	169,461	5.40	Fair Value	915
BANIF GLOBAL PRIVATE EQUITY F - FCI	EUR	1,000,000	0.53	Fair Value	530
Fomentinvest	EUR	1,540,000	1.00	Fair Value	1,565
Hozar	EUR	502,391	0.00	Fair Value	-
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	-	Fair Value	-
GED SUR FCR-CL A	EUR	100	76.78	Fair Value	8
GED SUR FCR-CL B	EUR	49,900	76.78	Fair Value	3,831
Fine Art Fund	EUR	18,170	17.81	Fair Value	324
Total					**37,161**

9. FINANCIAL ASSETS AVAILABLE FOR SALE

The details of this item, as at 31 December 2016, were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
Debt Instruments					**5,619**
Issued by residents					
Of portuguese public debt					
PORTUGUESE OT'S 4.35 10/16/17	EUR	5,000,000.00	1.04	Fair Value	5,227
PGB 4,45 06/15/18	EUR	360,000.00	1.06	Fair Value	392
Equity Instruments					**19,450**
Issued by residents					
FLORESTA ATLÂNTICA - SGFII, SA	EUR	10,125.00	10.79	Fair Value	109
FINPRO SCR, SA	EUR	763,363.00	0.00	Fair Value	-
ASCENDI OPERADORA BLA	EUR	63.00	1.00	Historical Cost	-
ASCENDI OPERADORA CP	EUR	63.00	1.00	Historical Cost	-
ASCENDI OPERADORA NT	EUR	97.00	1.00	Historical Cost	-
ASCENDI BEIRAS LITORAL E ALTA	EUR	32,460.00	35.51	Historical Cost	1,153
ASCENDI COSTA DE PRATA	EUR	14,129.00	6.90	Historical Cost	98
ASCENDI NORTE	EUR	54,199.00	4.00	Historical Cost	217
Ascendi Costa da Prata	EUR	22,148.33	1.00	Historical Cost	22
Ascendi Norte	EUR	541,996.23	1.00	Historical Cost	542
Ascendi Beira Litoral	EUR	86,751.90	1.00	Historical Cost	87
BANIF IMOGEST	EUR	9,447.00	18.08	Fair Value	171
LUSO CARBON FUND-FUNDO ESP FECHADO	EUR	82.00	10,454.30	Fair Value	857
BANIF PROPERTY	EUR	887.00	776.99	Fair Value	689
Issued by non-residents					
GED SUR CAPITAL S.A., SGECR	EUR	30,000.00	1.02	Fair Value	31
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,562.08	1,002.35	Fair Value	12,591
PREFF-PAN EUROPEAN REAL STATE FUND	EUR	15,618.32	72.83	Fair Value	1,136
JP MORGAN EUROPEAN PROPERTY FUND	EUR	6.01	6,824.28	Fair Value	41
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	300,000.00	1.33	Fair Value	399
FINE ART FUND (CP)	USD	12,644.74	16.66	Fair Value	200
DB GLOBAL MASTERS FUND - 04/05	EUR	2,408.41	7.98	Fair Value	19
DB GLOBAL MASTERS FUND - 07/07	EUR	2,824.28	5.85	Fair Value	17
GREFF GLOBAL REAL ESTATE FUND A	EUR	784.85	88.89	Fair Value	70
JPM GREATER CHINA PROP FUND CAY LP	USD	207,141,363.00	0.00	Fair Value	979
BELMONT RX SPC FI SEP08	USD	1.51	14.30	Fair Value	-
BELMONT RX SPC FI DEC08	USD	523.68	43.03	Fair Value	22
DB GLOBAL MASTERS FUND-V 13-07	EUR	3.98	5.55	Fair Value	-
Total					**25,069**

As required in subparagraph c), no. 2, of Bank of Portugal's Instruction no. 18/2005, the securities with maturity of up to one year are the following:

Security	Maturity Date	Balance Sheet Value
PORTUGUESE OT'S 4.35 10/16/17	16/10/2017	5,227

The details of this item, as at 31 December 2015, were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt Instruments					**11,664**
Issued by residents					
Of portuguese public debt					
PORTUGUESE OT'S 4.35 10/16/17	EUR	5,000,000	1.08	Fair Value	5,425
PGB 4,45 06/15/18	EUR	360,000	1.10	Fair Value	406
Non-subordinated debt					
BRCORO 3.875 04/21	EUR	300,000	1.11	Fair Value	341
RENEPL 6.25% 09/16	EUR	300,000	1.04	Fair Value	316
RENEPL 4.75% 10/20	EUR	300,000	1.15	Fair Value	347
SEMPL Float 04/17/19	EUR	450,000	1.02	Fair Value	463
GALP PL 4.125% 25/19	EUR	400,000	1.05	Fair Value	435
GALP PL 3% 14/21	EUR	200,000	1.00	Fair Value	206
FRMCPT Floa 12/27/20	EUR	95,000	1.00	Fair Value	95
PTIPL 5.375 05/15/20	EUR	385,714	1.05	Fair Value	407
VERSE 3 SNR	EUR	415,758	0.99	Fair Value	413
Issued by non-residents					
From other non-residents					
Others					
Non-subordinated debt					
WMPARK FUNDING SA 6 3/4 19-18	EUR	200,000	1.08	Fair Value	216
Madrid 5.75 02/01/18	EUR	400,000	1.11	Fair Value	465
TITIM 5,25% 02/22	EUR	200,000	1.15	Fair Value	239
TITIM 4,75% 05/18	EUR	380,000	1.09	Fair Value	423
TITIM 6.125 12/14/18	EUR	100,000	1.14	Fair Value	114
ELEPOR 5.875% 02/16	EUR	500,000	1.00	Fair Value	527
SUGALG 4.25 10/27/20	EUR	200,000	1.00	Fair Value	202
BKTSM 6.375% 09/19	EUR	200,000	1.14	Fair Value	232
FNCIM 5 3/4 12/12/18	EUR	350,000	1.12	Fair Value	392
2 - Equity Instruments					**20,143**
Issued by residents					
FLORESTA ATLÂNTICA - SGFII, SA	EUR	10,125	10.79	Fair Value	109
FINPRO SCR, SA	EUR	763,363	0.00	Fair Value	-
ASCENDI OPERADORA BLA	EUR	63	1.00	Historical Cost	-
ASCENDI OPERADORA CP	EUR	63	1.00	Historical Cost	-
ASCENDI OPERADORA NT	EUR	97	1.00	Historical Cost	-
ASCENDI BEIRAS LITORAL E ALTA	EUR	32,460	35.51	Historical Cost	1,152
ASCENDI COSTA DE PRATA	EUR	14,129	6.90	Historical Cost	98
ASCENDI NORTE	EUR	54,199	4.00	Historical Cost	217
Ascendi Costa da Prata	EUR	22,148	1.00	Historical Cost	22
Ascendi Norte	EUR	541,996	1.00	Historical Cost	542
Ascendi Beira Litoral	EUR	86,752	1.00	Historical Cost	87
BANIF IMOGEST	EUR	9,447	24.53	Fair Value	232
LUSO CARBON FUND-FUNDO ESP FECHADO	EUR	82	11,984.40	Fair Value	983
BANIF PROPERTY	EUR	887	803.73	Fair Value	713
Issued by non-residents					
GED SUR CAPITAL S.A., SGECR	EUR	30,000	1.02	Fair Value	31
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,299	1,016.81	Fair Value	12,505
PREFF-PAN EUROPEAN REAL STATE FUND	EUR	22,368	71.69	Fair Value	1,604
AVIVA CENTR EUROPEAN PROPERTY FUND	EUR	8,292,693	0.01	Fair Value	83
JP MORGAN EUROPEAN PROPERTY FUND	EUR	9	6,174.47	Fair Value	57
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	300,000	1.76	Fair Value	527
FINE ART FUND (CP)	USD	12,645	19.39	Fair Value	225
DB GLOBAL MASTERS FUND - 04/05	EUR	2,408	10.72	Fair Value	26
DB GLOBAL MASTERS FUND - 07/07	EUR	2,824	7.87	Fair Value	22
GREFF GLOBAL REAL ESTATE FUND A	EUR	1,071	92.05	Fair Value	99
JPM GREATER CHINA	USD	207,141,363	0.00	Fair Value	788
BELMONT RX SPC FI SEP08	USD	2	14.30	Fair Value	-
BELMONT RX SPC FI DEC08	USD	524	43.03	Fair Value	21
DB GLOBAL MASTERS FUND-V 13-07	EUR	4	7.47	Fair Value	-
Total					**31,807**

The "Portuguese OT´S 4.35 10/16/17" Treasury Bonds are a collateral for the intraday credit line. As at 31 December 2016, the Bank was not using the line.

The main assumptions used in the valuation of unlisted equity instruments are:

- Fund Units – market price based on the last NAV available for fund units acquired up to the date of that price; historical cost for investments made between the date of the last quoted price available and the date of the financial statements;
- Securities received in lieu – carrying of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analyses.

Securities valued at historical cost, as at 31 December 2016:

Security	Quantity	Acquisition Price
Ascendi Norte	541,996	1.00
Ascendi Norte	54,199	4.00
Ascendi Costa da Prata	14,129	6.90
Ascendi Beira Litoral	86,752	1.00
Ascendi Costa da Prata	22,148	1.00
Ascendi Operadora NT	97	1.00
Ascendi Operadora BLA	63	1.00
Ascendi Operadora CP	63	1.00

10. APPLICATIONS WITH CREDIT INSTITUTIONS

This item breaks down as follows:

	2016	2015
Term Deposits		
In Portugal	200	-
	200	-

11. LOANS TO CLIENTS

This item breaks down as follows, in accordance with the development of the Analytical Situation:

	2016	2015
Domestic Loans		
Corporates		
Syndicated Loans	-	5,617
Other Loans	136	297
Overdrafts on demand deposits	464	7,419
Individuals		
Other Loans	-	196
Overdrafts on demand deposits	1	244
External Loans		
Individuals		
Others	10,850	10,505
	11,451	24,278
Overdue Loans and Interests	1,345	1,066
	12,796	25,344
Securities Portfolio	3,714	3,596
	16,510	28,940
Impairment	(16,089)	(19,640)
Total	421	9,300

During the year of 2016, the loan to the Bank's client Escala Vila Franca was sold and the loan to the Bank's client Evalesco was reimbursed, in the following terms:

Escala Vila Franca

The loan, in the amount of 5,617 thousand euros, was sold for its balance sheet value.

Evalesco

Under the terms of the Special Revitalisation Plan ("PER" – *Plano Especial de Revitalização*), Tranche B of the loan, in the amount of 2,827 thousand euros, was repaid in July 2016. This was achieved by selling the securities that had been pledged as a guarantee for this tranche. Tranche A was also reimbursed, in the amount of 4,084 thousand euros, by means of lieu of payment in accordance with the provisions of the PER. These provisions establish that Tranche A would be paid by handing over the securities pledged as surety for this tranche to the Bank.

In 2016, these transactions did not have any impact on the Bank's Profit and Loss of the Year.

Capital and overdue accrued interest arrears break down as follows:

Term (months)	Amount 2016	Amount 2015
<= to 3m	208	52
> 03m <= 06m	-	2
> 06m <= 09m	122	-
> 09m <= 12m	-	-
> 12m <= 15m	4	-
> 15m <= 18m	-	5
> 18m <= 24m	-	-
> 24m <= 30m	-	-
> 30m <= 36m	5	2
> 36m <= 48m	2	983
> 48m <= 60m	982	22
> 60m	22	-
Total	1,345	1,066

As at 31 December 2016, the details of the securities portfolio classified into this item are as follows:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Gross Value	Net Value
Issued by non-residents						
CIELO GRANDE VIEW BILOXI 240	USD	2,609,479	0.00	Amortised Cost	2,476	-
ATC FORT MYERS	USD	1,305,149	0.00	Amortised Cost	1,238	-
Total					**3,714**	-

As at 31 December 2015, the details of securities portfolio are as follows:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Gross Value	Net Value
Issued by non-residents						
CIELO GRANDE VIEW BILOXI 240	USD	2,609,479	0.00	Amortised Cost	2,397	-
ATC FORT MYERS	USD	1,305,149	0.00	Amortised Cost	1,199	-
Total					**3,596**	-

Note 2.4 details the policy adopted by the Group in relation to the classification of securities in this category.

The Group considers restructured loans to be those loans in relation to which there have been changes in contractual conditions, particularly in terms of extensions to the repayment period, the introduction of grace periods or the capitalisation of interest, due to the financial difficulties of the borrower, regardless of whether or not there have been delays in the payment of principal and interest.

12. NON-CURRENT ASSETS HELD FOR SALE

This item breaks down as follows:

	2016	2015
Discontinued units	5,440	-
Foreclosed real estate properties	3	3
Real Estate Properties	6,027	6,027
Impairments on Real Estate Properties	(1,623)	(1,549)
	9,847	4,481

In 2016, the Group classified Banif Gestão de Activos, Banif Capital, Banif Pensões, Gamma - STC, Banif International Asset Management, Banif Multi Fund and MC02 as discontinued units, as a consequence of the sale and purchase agreement closed on 11 August 2016. Under this agreement, Oitante will dispose of its holding in the Group. This agreement establishes that, when the sale is completed, the BBI holdings listed above will no longer be part of the Bank's asset base.

This is why all the assets and liabilities held by the abovementioned entities, as at 31 December 2016, are carried on BBI's consolidated balance sheet in the "Non-current assets held for sale" and "Non-current liabilities held for sale" items. Also under IFRS 5, the contribution made by the operations at these entities is carried in the "Profit/loss from discontinued operations" item. The comparative balances from the Consolidated Profit and Loss Statement for the year ending 31 December 2015 have been restated.

Changes over the period were:

Description	Balance as at 31-12-2015			Movement in the year 2016				Balance as at 31-12-2016		
	Gross Balance	Impairment	Net Balance	Acquisitions	Disposals	Reclassification	Impairment reinforcement	Gross Balance	Impairment	Net Balance
Discontinued Units	-	-	-	-	-	5,440	-	5,440	-	5,440
Foreclosed Real Estate Properties	3	-	3	-	-	-	-	3	-	3
Real Estate Properties	6,027	1,549	4,478	-	-	-	74	6,027	1,623	4,404
Total	6,030	1,549	4,481	-	-	5,440	74	11,470	1,623	9,847

The contribution of the discontinued units is detailed in the following table:

Entity	2016	2015
Banif Gestão de Activos	4,458	-
Banif Capital	454	-
Banif International Asset Management	5	-
Banif Multi Fund	17	-
MCO2	506	-
	5,440	-

For the discontinued units, the non-current assets and liabilities held for sale, as at 31 December 2016, are detailed below:

	Banif Capital	Banif International Asset Management	Banif Multifund	Banif Gestão de Activos	MCO2	Total
Cash and balances at central banks	0	0	0	0	0	0
Balances at other credit institutions	0	0	0	282	0	282
Financial assets held for trading	5	0	0	0	0	5
Other financial assets at fair value through profit or loss	0	0	0	0	0	0
Financial assets available for sale	0	0	0	0	0	0
Applications with credit institutions	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Held-to-maturity investments	0	0	0	0	0	0
Assets with repurchase agreement	0	0	0	0	0	0
Hedge derivatives	0	0	0	0	0	0
Non-current assets held for sale	0	0	0	0	0	0
Investment properties	0	0	0	0	0	0
Other tangible assets	6	0	0	32	0	38
Intangible assets	0	0	0	11	0	11
Investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0
Current tax assets	124	0	0	389	0	513
Deferred tax assets	152	0	0	315	0	467
Other assets	167	5	17	3,429	506	4,124
Total Assets	**454**	**5**	**17**	**4,458**	**506**	**5,440**

	Banif Capital	Banif International Asset Management	Banif Multifund	Banif Gestão de Activos	MCO2	Total
Deposits from central banks	0	0	0	0	0	0
Financial liabilities held for trading	0	0	0	0	0	0
Other financial liabilities at fair value through profit or loss	0	0	0	0	0	0
Deposits from other credit institutions	0	0	0	0	0	0
Deposits from customers and other loans	987	0	0	0	0	987
Liabilities represented by securities	0	0	0	0	0	0
Financial liabilities associated to transferred assets	0	0	0	0	0	0
Hedge derivatives	0	0	0	0	0	0
Non-current liabilities held for sale	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Current tax liabilities	0	0	0	10	0	10
Deferred tax liabilities	0	0	0	0	0	0
Instruments represented by equity	0	0	0	0	0	0
Other subordinated liabilities	0	0	0	0	0	0
Other liabilities	73	1,105	22	2,594	0	3,794
Total Liabilities	**1,060**	**1,105**	**22**	**2,604**	**0**	**4,791**

Throughout 2016, the Group completed the sale of its financial holdings in Gamma and Banif Pensões and obtained the following revenues:

- Gamma – Sociedade de Titularização de Créditos: 3,648 thousand euros;
- Banif Pensões: 261 thousand euros.

The Result for the discontinued units, as at 31 December 2016 and 2015, are listed in the following tables:

2016	Banif Capital	Banif International Asset Management	Banif Multifund	Banif Gestão de Activos	Banif Pensoes	Gamma	MCO2	Total
Interest and similar income	0	0	0	3	111	0	0	114
Interest expense and similar charges	0	0	0	0	0	0	0	0
Net interest income	**0**	**0**	**0**	**3**	**111**	**0**	**0**	**114**
Income from equity instruments	0	0	0	0	0	0	0	0
Commissions and fees income	510	0	0	3,492	861	715	0	5,578
Commissions and fees expenses	-1	0	0	-322	-19	-147	0	-489
Income from assets and liabilities valued at fair value through profit or loss	-965	0	0	0	31	0	0	-934
Income from financial assets available for sale	0	0	0	0	0	0	0	0
Income from currency revaluation	0	-38	1	0	0	1	0	-36
Income from other assets disposal	-1,473	0	0	0	0	0	0	-1,473
Other operating income	-474	0	0	-254	-14	-3	-58	-803
Net Operating Income	**-2,403**	**-38**	**1**	**2,919**	**970**	**566**	**-58**	**1,957**
Personnel expenses	-322	0	0	-1,724	-337	-106	0	-2,489
Overheads	-138	-125	0	-1,084	-239	-8	0	-1,594
Depreciations	0	0	0	-16	-1	0	0	-17
Provisions net of refunds and write-offs	0	0	0	0	0	0	0	0
Value adjustments related to loans to customers and other accounts receivables								0
Debtors (net of reversals and write-offs)	0	0	0	0	0	0	0	0
Impairment of other financial assets net of reversals and recoveries	0	0	0	0	0	0	0	0
Impairment of other assets net of reversals and recoveries	-10	0	0	-104	0	0	0	-114
Negative consolidation differences	0	0	0	0	0	0	0	0
Profit / (Loss) from associates and joint-ventures (equity method)	0	0	0	0	0	0	0	0
Profit / (Loss) before taxes	**-2,873**	**-163**	**1**	**-9**	**393**	**452**	**-58**	**-2,257**
Income Taxes	-158	0	0	-5	-54	-120	0	-337
Current	-5	0	0	-10	-54	-120	0	-189
Deferred	-153	0	0	5	0	0	0	-148
Profit / (Loss) after taxes and before non-controlling interests	**-3,031**	**-163**	**1**	**-14**	**339**	**332**	**-58**	**-2,594**

The profit/loss for discontinued units has been influenced by the net loss of 3,031 thousand euros of Banif Capital. This loss is largely accounted for by the following:

- The disposal of the 5.33% shareholding in Fomentinvest – SGPS, S.A., which generated a loss in the financial statements of 966 thousand euros;
- The de-recognition of the 1,473 thousand euros due to be received from Banif Portugal Crescimento ("BPC"), following the independent valuation of Fomentinvest – SGPS, SA and as per clause 3.2 of the investment contract signed by Banif Capital and BPC, pertaining to the disposal of part of the investment in Fomentinvest – SGPS, SA.

2015	Banif Capital	Banif International Asset Management	Banif Multifund	Banif Gestão de Activos	Banif Pensoes	Gamma	MCO2	Total
Interest and similar income	25	0	0	0	171	0	0	196
Interest expense and similar charges	0	0	0	0	0	0	0	0
Net interest income	**25**	**0**	**0**	**0**	**171**	**0**	**0**	**196**
Income from equity instruments	0	0	0	0	0	0	0	0
Commissions and fees income	971	227	0	6,077	883	745	0	8,903
Commissions and fees expenses	0	0	0	-1,227	-17	0	0	-1,244
Income from assets and liabilities valued at fair value through profit or loss	-1,825	0	0	0	15	0	0	-1,810
Income from financial assets available for sale	0	0	0	0	19	0	0	19
Income from currency revaluation	0	-108	4	-1	0	1	0	-104
Income from other assets disposal	0	0	0	0	0	0	0	0
Other operating income	11	0	0	-231	-10	9	-23	-244
Net Operating Income	**-818**	**119**	**4**	**4,618**	**1,061**	**755**	**-23**	**5,716**
Personnel expenses	-369	0	0	-1,890	-298	-127	0	-2,684
Overheads	-80	0	0	-655	-126	-11	0	-872
Depreciations	0	0	0	-23	0	0	0	-23
Provisions net of refunds and write-offs	0	0	0	-1,088	0	0	0	-1,088
Value adjustments related to loans to customers and other accounts receivables								0
Debtors (net of reversals and write-offs)	0	0	0	0	0	0	0	0
Impairment of other financial assets net of reversals and recoveries	0	0	0	0	0	0	0	0
Impairment of other assets net of reversals and recoveries	-216	0	0	7	0	-13	0	-222
Negative consolidation differences	0	0	0	0	0	0	0	0
Profit / (Loss) from associates and joint-ventures (equity method)	0	0	0	0	0	0	0	0
Profit / (Loss) before taxes	**-1,483**	**119**	**4**	**969**	**637**	**604**	**-23**	**827**
Income Taxes	-32	0	0	-529	-113	-139	0	-813
Current	-46	0	0	-446	-113	-139	0	-744
Deferred	14	0	0	-83	0	0	0	-69
Profit / (Loss) after taxes and before non-controlling interests	**-1,515**	**119**	**4**	**440**	**524**	**465**	**-23**	**14**

In the previous year, the changes over the reporting period had been as follows:

Description	Balance as at 31-12-2014			Movement during year 2015			Balance as at 31-12-2015		
	Gross Balance	Impairment	Net Balance	Acquisitions	Disposals	Impairment (application)	Gross Balance	Impairment	Net Balance
Foreclosed properties	-	-		3	-	-	3	-	3
Properties	6,027	1,549	4,478	-	-		6,027	1,549	4,478
Total	6,027	1,549	4,478	3	-	-	6,030	1,549	4,481

For the purposes of determining any impairment of real estate properties classified as non-current assets held for sale, valuations are carried out by independent specialist surveyors, in accordance with the criteria and methodologies generally accepted for the purpose. These include analyses using the cost and market methods. Fair value is defined as the amount that could reasonably be expected of a transaction between an interested purchaser and seller, with equity between the two, neither being obliged to sell or purchase and both being aware of all relevant factors on a given date. The last valuation of real estate properties classified in this category occurred in December 2016.

The impairments constituted for financial holdings take into consideration the updated valuation of these companies, where available, or the value of their share capital adjusted in accordance with IAS/IFRS standards, or their agreed/formalized sale value, where applicable. As at 31 December 2016, the value of the impairment associated with the financial holdings was obtained by considering the value of their equity adjusted in accordance with IAS/IFRS standards.
As at the reporting date of these financial statements, the Bank did not have General Meeting approved financial information which refer to 31 December 2016 from the companies classified in Non-current assets held for sale, with the exception of the entities MC02 – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. and Banif Capital – Sociedade de Capital de Risco, S.A. These entities held General Meetings that approved their Financial Statements on 30 and 31 March 2017, respectively. However, it is the opinion of the Board of Directors of the Bank that such financial information will not show any significant changes.

The Bank made specific efforts to dispose of the property, publicising it as being available for immediate sale. During the current year the Bank has received a proposal for the disposal of this property and no significant difference exists between the proposal value and its book value. The continuing classification of the property in non-current assets held for sale requires authorisation from Bank of Portugal. The Bank has always obtained this authorisation within the set timeframe.

13. INVESTMENT PROPERTY

As at 31 December 2016 and 2015, this item breaks down as follows:

2016

Category	Balance as at 31-12-2015	Movement during year 2016			Balance as at 31-12-2016
		Acquisitions	Disposals	Revaluations	
Real estate properties	11,524	-	(4,575)	-	6,949
	11,524	-	(4,575)	-	6,949

The disposals pertain to the properties owned by the Banif Reabilitação Urbana fund, in the context of its liquidation in 2016.

The properties held by the subsidiary Turirent – Fundo de Investimento Imobiliário Fechado and carried as investment properties, as at 31 December 2016, were valued by independent appraisers in December 2016.

In 2016, two new lawsuits were brought against Turirent with respect to these properties. One of these has already been settled and the court found, once again, in favour of the fund. These lawsuits, brought by an entity held or related to the original participants in the fund, pertained to ownership rights over the fund's properties.

Towards the end of 2016, Turirent began legal proceedings against the entity linked to the original participant in the fund, and occupier of the properties, with the aim of asking the court to order that the properties be returned to Turirent.

2015

Category	Balance as at 31-12-2014	Movement during year 2015			Balance as at 31-12-2015
		Acquisitions	Disposals	Revaluations	
Real estate properties	12,385	-	-	(861)	11,524
	12,385	-	-	(861)	11,524

The properties recognised in this item belong to Turirent and have been recognised at their fair value, as determined by independent experts. In terms of fair value hierarchy, these properties fall within level 3, given the following assumptions:

- Level 1 inputs are "quoted, unadjusted prices for identical assets or liabilities in active markets"; thus, if prices are quoted in an active market (that is, if there is a level 1 input), the Group uses these quotes without making any adjustments to the fair vale measurement of the same;
- Level 2 inputs are those that are not prices quoted in an active market (level 1) but are directly or indirectly observable;
- Level 3 inputs are those that are not based on observable market data and are determined on the basis of assumptions made by the management structures; level 3 inputs should, however, reflect the assumptions that would be used by market participants in determining the price of an asset.

14. OTHER TANGIBLE ASSETS

Following the classification of the entities to the 'non-current assets held for sale' item, as detailed in note 12, the tangible assets belonging to these entities were reclassified from the tangible assets item to the 'non-current assets held for sale' balance sheet's item.
Thus, as at 31 December 2016, the Group's sole tangible assets were those owned by Banif - Banco de Investimento, SA.

CATEGORY	BALANCE AS AT 31-12-2015		MOVEMENT DURING YEAR 2016				BALANCE AS AT 31-12-2016		
	GROSS BALANCE	DEPREC.	ACQUISITIONS	WRITE-OFFS GROSS BALANCE	WRITE-OFFS DEPREC. + IMPAIRMENT	DEPRECIATIONS FOR THE YEAR	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
TANGIBLE FIXED ASSETS									
REAL ESTATE PROPERTY	**412**	**179**				**14**	**412**	**193**	**219**
Work on leasehold real estate property	412	179				14	412	193	219
EQUIPMENT	**2,996**	**2,691**	**8**	**(125)**	**(79)**	**108**	**2,879**	**2,719**	**160**
Office furniture and equipment	424	348				46	423	392	30
Machinery and tools	97	90				3	97	93	4
IT equipment	1,502	1,451				20	1,502	1,471	31
Interior installations	650	556	8			26	658	582	76
Transport material	244	187		(125)	(79)	5	119	113	6
Safety equipment	23	21				1	23	22	1
Other equipament	56	38				7	56	45	11
TOTAL	**3,408**	**2,870**	**8**	**(125)**	**(79)**	**122**	**3,290**	**2,911**	**379**

Changes over the previous period were:

CATEGORY	BALANCE AS AT 31-12-2014		MOVEMENT DURING YEAR 2015				BALANCE AS AT 31-12-2015		
	GROSS BALANCE	DEPREC. + IMPAIRMENT	ACQUISITIONS	WRITE-OFFS GROSS BALANCE	WRITE-OFFS DEPREC. + IMPAIRMENT	DEPREC. + IMPAIRMENT	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
TANGIBLE FIXED ASSETS									
REAL ESTATE PROPERTY	**803**	**596**	**81**	**(426)**	**(430)**	**13**	**458**	**179**	**279**
Work on leasehold real estate property	803	596	81	(426)	(430)	13	458	179	279
EQUIPMENT	**3,317**	**3,019**	**140**	**(25)**	**(33)**	**131**	**3,432**	**3,117**	**315**
Office furniture and equipment	466	338	-	-	-	49	466	387	79
Machinery and tools	113	101	-	-	-	5	113	106	7
IT equipment	1,773	1,755	51	(1)	(1)	16	1,823	1,770	53
Interior installations	689	575	17	-	(8)	37	706	604	102
Transport material	197	197	72	(24)	(24)	16	245	189	56
Safety equipment	23	21	-	-	-	1	23	22	1
Other equipment	56	32	-	-	-	7	56	39	17
TOTAL	**4,120**	**3,615**	**221**	**(451)**	**(463)**	**144**	**3,890**	**3,296**	**594**

There are no tangible fixed assets held under financial leasing or operational leasing arrangements.

15. INTANGIBLE ASSETS

Following the classification of the entities to the 'non-current assets held for sale' item, as detailed in note 12, the intangible assets belonging to these entities were reclassified from the intangible assets item to the 'non-current assets held for sale' balance sheet's item.

Thus, as at 31 December 2016, the Group's intangible assets solely comprised the intangible assets owned by Banif Banco de Investimento.

CATEGORY	BALANCE AS AT 31-12-2015		MOVEMENT DURING YEAR 2016				BALANCE AS AT 31-12-2016		
	GROSS BALANCE	DEPREC.	ACQUISITIONS	WRITE-OFFS GROSS BALANCE	TRANSFERS BETWEEN FIXED TANGIBLE ASSETS GROSS BALANCE	DEPRECIATIONS FOR THE YEAR	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
INTANGIBLE ASSETS	8,299	6,566	33	(156)		497	8,176	7,063	1,113
Software	8,103	6,566	33		41	497	8,176	7,063	1,113
Ongoing	196			(156)	(41)				
TOTAL	8,299	6,566	33	(156)		497	8,176	7,063	1,113

Changes over the previous period were:

CATEGORY	BALANCE AS AT 31-12-2014		MOVEMENT DURING YEAR 2015		BALANCE AS AT 31-12-2015		
	GROSS BALANCE	DEPREC.	ACQUISITIONS	DEPRECIATIONS + IMPAIRMENT	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
INTANGIBLE ASSETS	8,578	6,480	207	548	8,785	7,028	1,757
Software	8,423	6,480	166	548	8,589	7,028	1,561
Ongoing	155	-	41	-	196	-	196
TOTAL	8,578	6,480	207	548	8,785	7,028	1,757

16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2016, the Group has no holdings classified to this category because it had reclassified its holding in MCO2 to the 'non-current assets held for sale' category, as detailed in note 12.

As at 31 December 2015, this item broke down as follows:

Name of the company	Headquarters	Main activity	% of Shareholdings	Shareholdings Value	Total Equity	Net Profit / (Loss) for the Year	Net Contribution
MCO2	Lisboa	Gestão de investimentos	25.00%	564	2,256	(91)	(23)

17. CURRENT TAX ASSETS AND LIABILITIES

As at 31 December 2016 and 2015, current tax assets and liabilities were as follows:

	2016	2015
Current tax assets		
Corporate Income Tax receivable	139	440
Others	61	828
	200	1,268
Current tax liabilities		
Corporate Income Tax payable	(101)	(711)
	(101)	(711)

The current and deferred taxes for the year are detailed in the following table:

Description	2016	2015	2015 Restated
Profit before Taxes	(7,504)	(23,015)	(23,844)
Legal tax over income	21.00%	21.00%	21.00%
Additional over legal tax	1.50%	1.50%	1.50%
Corporate Income Tax settled		712	-
Autonomous Taxation	101	159	125
Taxes over Banking Sector	200	412	412
Total Current Taxes	301	1 283	537
Deferred Taxes	-	17 079	17 010
Total Tax Burden	301	18 362	17 547
Effective Tax	-	-	-

18. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2016, the Group's deferred tax assets and liabilities pertain solely to Banif - Banco de Investimento, SA and break down in the following way:

- Deferred tax assets: 313 thousand euros, as explained below;
- No deferred tax liabilities have been recognised.

Conversion scheme of deferred tax assets into tax credits

On 21 November 2014, the Bank decided to meet the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits. These tax assets result from the non-deduction of expenses and negative equity changes due to impairment losses on loans and post-employment benefits or long-term employee benefits, as provided for in Law no. 61/2014, of 26 August.

Thus, as a result of the Loss in 2015, the Bank recorded deferred tax assets, in the amount of 755 thousand euros, for the balance of impairment losses on non-performing non-mortgage loans, that were above the limits established for in Bank of Portugal's Notice no. 3/95. The referred amount was covered by the special scheme.

It should be noted that the Bank met the requirements for the special scheme for converting deferred tax assets (special scheme) into tax credits, as provided for in Law no. 61/2014, of 26 August. After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme.

In 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits (see note 17), maintaining 313 thousand euros in deferred tax assets. The Bank simultaneously set up a special reserve in favour of the State in an amount equivalent to the tax credit plus a margin of 10%, totalling 486 thousand euros (see note 25). The creation of a special reserve required the simultaneous setting up of conversion right attributed to the State.

In this context, BBI decided not to issue any securities until it had received answers to the questions raised and submitted to the competent authorities. These questions pertained to the verification of the compliance of the abovementioned scheme with all legal and procedural requirements.

It is to be noted that, although the applicable legislation requires the issue of securities to set up conversion rights in favour of the State, the legislature has not yet given its opinion on the type of security that must be issued for this purpose.

Tax losses

As provided for in article 52, no. 8, of the Corporate Tax (IRC) Code, an entity may lose the right to deduct tax losses from previous years if there is a change in the ownership of more than 50% of its share capital or of a majority of the voting rights.

Following the resolution measure applied to Banif, SA, which was the entity that owned 100% of BBI's share capital up to 20 December 2015, there was a change in the ownership of more than 50% of BBI's share capital.

As a result, BBI submitted an application, within the legal deadline, to be allowed to maintain the tax losses determined for the reporting periods between 2012 and 2014, in the terms of article 52, no. 12, of the Corporate Tax (IRC) Code.

Considering the Bank's current situation and the lack of reasonable expectations regarding the existence of future taxable profits, no deferred tax assets were recognised for tax losses.

The table below details the tax losses, and the potential deferred tax asset associated with these tax losses, that the Group did not accounted for in its financial statements (amounts in millions of euros):

Year	Reportable Tax Losses	Potential Deferred Taxes	Reported Years Period	Last Reporting Year
2012	7.75	1.63	5	2017
2013	4.93	1.04	5	2018
2014	65.42	13.74	12	2026
2015	17.92	3.76	12	2027
	96.02	20.16		

Temporary differences

Similarly, the Bank is not recognising any deferred taxes on the temporary differences between the accounting base and the tax base of the assets and liabilities.

Additionally, and taking into account the reclassification of Banif Gestão de Activos and Banif Capital's deferred tax assets to non-current assets held for sale, as at the end of 2016, the deferred tax assets and liabilities were as follows:

Description	31/12/2015	MOVEMENTS DURING THE YEAR		31/12/2016
	DEFERRED TAX (net)	REINFORCEMENTS / (SUBSCRIPTIONS / WRITE-OFFS)		DEFERRED TAX (net)
		REAID	Reclassificação ANCDV	
1. Provisions/Impairment not accepted for tax purposes	**1,063**	**-441**	**-309**	**313**
General credit risks	0			0
Provision over debtors	0			0
Impairment not accepted for fiscal purposes	1,063	-441	-309	313
Extraordinary Provision	0			0
2. Valuation not accepted for fiscal purposes	**0**	**0**	**0**	**0**
Available for sale portfolio	0			0
At fair value through profit or loss portfolio	0			0
3. Reportable Tax Losses	**0**			**0**
Year 2012 (Recoverable by 2017)	0			0
Year 2013 (Recoverable by 2018)	0			0
Year 2014 (Recoverable by 2026)	0			0
4. Others	**286**		-286	0
Total	**1,349**	**-441**	**-595**	**313**

As at the end of 2015, the deferred tax assets and liabilities were as follows:

Description	31/12/2014	MOVEMENTS DURING THE YEAR		31/12/2015
	DEFERRED TAX (net)	REINFORCEMENTS / (SUBSCRIPTIONS / WRITE-OFFS)		DEFERRED TAX (net)
		EQUITY	PROFIT/(LOSS)	
1. Provisions/Impairment not accepted for tax purpose	**1,957**	**0**	**-894**	**1,063**
General credit risks	178		-178	0
Provision over debtors	64		-64	0
Impairment not accepted for fiscal purposes	1,614		-551	1,063
Extraordinary Provision	101		-101	0
2. Valuation not accepted for fiscal purposes	**660**	**28**	**-688**	**0**
Available for sale portfolio	-28	28		0
At fair value through profit or loss portfolio	688		-688	0
3. Reportable Tax Losses	**15,442**		**-15,442**	**0**
Year 2012 (Recoverable by 2017)	1,669		-1,669	0
Year 2013 (Recoverable by 2018)	1,207		-1,207	0
Year 2014 (Recoverable by 2026)	12,566		-12,566	0
4. Others	**236**	105	-55	286
Total	**18,295**	**133**	**-17,079**	**1,349**

19. OTHER ASSETS

This item breaks down as follows:

	2016	2015
Sundry debtors		
Debtors	7,586	12,630
Tax Credit (note 18)	442	-
Income receivable	23	317
Expenses with deferred charges	229	164
Foreign exchange transations pending regularisation	0	1,278
Other asset transactions pending regularisation	581	1,730
	8,861	16,119
Impairment losses on other assets (Note 25)	(712)	(2,703)
Total	**8,149**	**13,416**

As at 31 December 2016, the 'Sundry debtors' item includes:

- Margin deposited with Clearnet: 4,562 thousand euros;
- Sundry debtors: 2,868 thousand euros;
- Tax credit: 454 thousand euros;
- Other assets: 144 thousand euros;

Impairment losses in other assets are essentially related to the billing of depository bank fees that were outstanding as at 31 December 2016.

20. DEPOSITS FROM CENTRAL BANKS

This item breaks down as follows:

	2016	2015
Deposits from Central Banks	-	12,500
	-	12,500

The 'Deposits from Central Banks' item as at 31 December 2015 referred to refinancing operations with the European Central Bank (ECB), through its liquidity provision mechanisms, secured by a pledge of eligible assets.

The assets pledged in 2015 for such liquidity provision transactions were as follows:

- Banif Imopredial: 20,502 thousand euros
- Turirent: 6,607 thousand euros
- Banif Imogest: 5,156 thousand euros
- Banif Reabilitação Urbana: 5,736 thousand euros
- Banif Property: 713 thousand euros

- Loans granted: 5,608 thousand euros
- Real Estate Assets: 4,478 thousand euros

The Emergency Liquidity Assistance was suspended on 2 March 2016, after which the Bank did not seek further liquidity providing operations for an emergency assistance. The line was formally terminated at the beginning of 2017.

21. FINANCIAL LIABILITIES HELD FOR TRADING

This item breaks down as follows:

	2016	2015
Short-selling	-	488
Financial Derivative Instruments with negative fair value	-	456
	-	944

Impacts on the results of the Derivatives with negative fair value are presented in Note 33.

Short-selling transactions as at 31 December 2015 were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt Instruments					**(488)**
Issued by non-residents					
Issued by non-residents					
From foreign public issuers					
FED REPUBLIC OF BRASIL	USD	-100,000	1.03	Fair Value	(97)
From other non-residents					
Others					
Non-subordinated debt					
COSAN FINANCE LTD 02/01/2017	USD	-95,000	1.02	Fair Value	(98)
JBS INVESTMENTS GMBH 7 3/4 20-19	USD	-250,000	0.97	Fair Value	(225)
PETROLEOS MEXICANOS 3 1/2 07/20	USD	-76,000	0.95	Fair Value	(68)
Total					**(488)**

Details on the derivatives with negative fair value as at 31 December 2015 are provided in note 6.

22. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	2016	2015
From credit institutions in Portugal		
Short Term Deposits	296	10,014
Term Deposits	2,710	2,866
	3,006	12,880
From credit institutions abroad		
Deposits	69	275
	69	275
	3,075	13,155

23. CLIENT DEPOSITS AND OTHER LOANS

This item breaks down as follows:

	2016	2015
Deposits		
On-Demand	34,384	53,987
Term	49,342	5,793
Interests on Term Deposits	33	28
	83,759	59,808

The term deposits include the deposit made by the shareholder, Oitante, SA, in the amount of 33,203 thousand euros.

24. NON-CURRENT LIABILITIES HELD FOR SALE

Given the ongoing process related to the disposal of the financial holdings, namely Banif Gestão de Activos, Banif Capital, Banif International Asset Management, Banif Multi Fund and MC02, as detailed in note 12, the Group reclassified the total liabilities of these companies, less any intragroup operations, to the 'non-current liabilities held for sale' item. These liabilities totalled 4,791 thousand euros.

The breakdown for non-current liabilities held for sale pertaining to the discontinued units as at 31 December 2016 is as follows:

	Banif Capital	Banif International Asset Management	Banif Multifund	Banif Gestão de Activos	MCO2	Total
Resources from central banks	0	0	0	0	0	0
Financial liabilities held for trading	0	0	0	0	0	0
Other financial liabilities at fair value through profit or loss	0	0	0	0	0	0
Resources from other credit institutions	0	0	0	0	0	0
Resources from customers and other loans	987	0	0	0	0	987
Liabilities represented by securities	0	0	0	0	0	0
Financial liabilities related to transferred assets	0	0	0	0	0	0
Hedge derivatives	0	0	0	0	0	0
Non-current liabilities held for sale	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Current tax liabilities	0	0	0	10	0	10
Deferred tax liabilities	0	0	0	0	0	0
Equity instruments	0	0	0	0	0	0
Other subordinated liabilities	0	0	0	0	0	0
Other liabilities	73	1,105	22	2,594	0	3,794
Total Liabilities	**1,060**	**1,105**	**22**	**2,604**	**0**	**4,791**

25. IMPAIRMENT, PROVISIONS AND CONTINGENT LIABILITIES

Changes over the year were as follows:

Description	Balance as at 31/12/2015	Reinforcements	Applications and Others	Reversals	Exchange rate differences	Balance as at 31/12/2016
Asset						
Financial assets available for sale	15,027	560	(4,864)	(126)	31	10,628
Loans and advances to customers	19,640	491	(4,026)	(153)	137	16,089
Non-current assets held for sale	1,549	74	-	-	-	1,623
Other assets	2,703	676	(2,339)	(335)	7	712
Liabilities					-	
Guarantees provided and other commitments	3,488	437	(1,432)	(200)	-	2,293
Fiscal contingencies and other provisions	1,052	98	-	-	-	1,150
Total	43,459	2,336	(12,661)	(814)	175	32,495

Changes over the previous period were:

Description	Balance as at 31/12/2014	Reinforcements	Applications and others	Reversals	Exchange rate differences	Balance as at 31/12/2015
Asset						
Financial assets available for sale	12,829	2,160	-	-	38	15,027
Loans and advances to customers	7,318	18,657	(5,486)	(986)	137	19,640
Non-current assets held for sale	1,549	-	-	-	-	1,549
Other assets	1,883	-	820	-		2,703
Liabilities						
Guarantees provided and other commitments	60	84	3,920	(579)	3	3,488
Other provisions	30	1,022	-	-	-	1,052
Total	23,669	21,923	(746)	(1,565)	178	43,459

The guarantees provided correspond to the following nominal amounts recorded in off-balance-sheet accounts:

Description	31/12/2016	31/12/2015
Guarantees provided (of which:)		
Guarantees and sureties	3,721	9,199
	3,721	9,199

As at 31 December 2016 and 2015, the breakdown for guarantees and sureties, is as follows:

Description	31/12/2016	31-12-2015 Restated
Financial Guarantees	1,467	6,945
Performance Guarantees	2,254	2,254
	3,721	9,199

Contingent liabilities originated by the Resolution Fund

On 3 August 2014, and as part of its responsibilities as the regulatory and resolution authority for the Portuguese financial sector, the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, SA ("BES") under no. 5 of Article 145-G of the Legal Framework of the Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*). This measure consisted of transferring most of BES' activity to a transition bank, Novo Banco, SA ("Novo Banco"), created especially for this purpose. In accordance with EU regulations, the Resolution Fund, created by Decree-Law 31-A/2012, of 10 February, would be responsible for the capitalisation of Novo Banco.

The Resolution Fund provided 4,900 million euros to pay up Novo Banco's share capital. Of this amount, 377 million euros are Resolution Fund own funds. A banking syndicate also extended a loan of 700 million euros to the Resolution Fund. The participation of each credit institution was weighted by a number of factors, including institution size. The remainder amount (3,823 million euros) came from a loan granted by the Portuguese State, which the Resolution Fund will pay interest on and repay. Any funds generated from the sale of Novo Banco will be allocated in their entirety to the Resolution Fund.

On 29 December 2015, Bank of Portugal decided to return liability for unsubordinated BES bonds to BES. These bonds, which had an approximate nominal amount of 2 billion euros, were intended for institutional investors. Bank of Portugal then made a final adjustment to the perimeter of the assets, liabilities, off-balance-sheet items and assets under management transferred to Novo Banco.

In the same month of December 2015, the Portuguese authorities decided to sell most of the assets and liabilities associated with the business activity of Banif - Banco Internacional do Funchal, SA ("Banif") to Banco Santander Totta, for 150 million euros, as part of the application of the resolution measure. This operation involved using around 2,255 million euros of public funds, which were earmarked for covering future contingencies. Of this total, 489 million euros came from the Resolution Fund and 1,766 million euros came directly from the Portuguese State, as a result of the options agreed between the Portuguese authorities, European institutions and Banco Santander Totta, for delimiting the perimeter of the assets and liabilities to be sold. In the context of this resolution measure, the Banif assets flagged as problematic were transferred to an asset management vehicle created for this purpose – Oitante, S.A., of which the Resolution Fund is the sole shareholder. This operation involved the issuing of bonds representing the debt of that vehicle, in the amount of 746 million euros, guaranteed by the Resolution Fund and counter-guaranteed by the

Portuguese State. Banif, which will be subject to liquidation in the future, will still hold a restricted set of assets and the holdings of shares, subordinated creditors and related parties.

As provided for in Decree-Law 31-A/2012, the Resolution Fund is resourced by contributions from the institutions participating in the fund and the levy on banks. Furthermore, it is also envisaged that, whenever these resources are insufficient to meet its obligations, others sources of financing may be used, including: (i) special levies on credit institutions; and (ii) amounts from loans.

There is a significant risk of litigation involving the Resolution Fund as a result of the above decisions and also a risk that it may not have sufficient funds to meet its liabilities, particularly the short-term repayment of loans.

As a result of this, the Portuguese Government reached an agreement with the European Commission in the second half of 2016 on changes to the conditions of the loan granted by the Portuguese State and participating banks to the Resolution Fund. These changes are designed to bolster financial stability, by putting in place conditions that will ensure predictability and stability with regard to contributions to the Resolution Fund and an addendum to this end was recently formalised for the Resolution Fund loan agreements. This addendum sets out a number of changes to the repayment plan, the remuneration rate and other terms and conditions associated with these loans, so that they can be adjusted to the capacity of the Resolution Fund to fulfil all its obligations based on its regular income. In other words, the need for special levies or any other type of extraordinary contribution to be collected from the banks participating in the Resolution Fund will be avoided.

Given this, and on the basis of the information currently available, the Board of Directors believes that there are few risks that might result in additional charges for the Bank, and consequently the Resolution Fund, with regard to all the liabilities specified above.

Others

The Bank believes that it is only remotely possible that it will incur losses as a result of the legal proceedings brought by Caixa Económica Montepio Geral, in the amount of 20,250 thousand euros. In this case, the plaintiff is asking that the loan and guarantee contracts signed between Lusíadas – Fundo de Investimento Imobiliário Fechado and the Bank (whose part in the contracts was later transferred to Banif – Banco Internacional do Funchal, SA and currently falls within the perimeter of Banco Santander Totta, SA) be declared null and void. This would result in the cancelling of the mortgages and the sureties pledged on the properties that the fund owns and the ending of the enforcement suit brought by the mortgage creditor.

26. OTHER SUBORDINATED LIABILITIES

This item breaks down as follows:

	2016	2015
Debt issued	15,000	15,000
Debt buybacked	(12,822)	(12,822)
Interest	2	3
	2,180	2,181

As at 31 December 2016, the other subordinated liabilities item pertains to the following issue:

In 2007, 15,000 perpetual subordinated bonds with a nominal value of 1,000 euros were issued. The interest on these book-entry and bearer bonds will be paid quarterly, from the issue date, on 28 February, 28 May, 28 August and 28 November of each year ("Interest Payment Dates"). The bonds are subject to an optional early redemption and the first payment was made on 28 August 2007 and the last payment will be made on the maturity date or on the early redemption date(s), where this is the case. Interest up to, but not including, 28 May 2017 (first early redemption date at the issuer's option) will be calculated on the basis of the 3-month Euribor rate on the second "target business day" immediately prior to the start date of each interest period, plus 1.35% p.a. and, from this date onwards, at the 3-month Euribor rate plus 2.35% p.a. (step-up of 1.00%). Banif - Banco de Investimento, SA has the option to fully or partially redeem the bonds on any interest payment date from and including 28 May 2017 (first redemption date at the issuer's option) onwards. To do so, the Bank will need to give bondholders a minimum of 30 days and a maximum of 60 days' prior notice (this notice is irrevocable). Bonds will be redeemed at par plus any accrued interest on the date selected for redemption. Bank of Portugal must give its prior approval to the exercise of this redemption option. The Bank has already buybacked the amount of 12,822 thousand euros.

27. OTHER LIABILITIES

This item breaks down as follows:

	2016	2015
Foreign exchange transactions	-	4
Stock exchange transactions pending regularisation	-	1,348
Creditors and other resources	3,183	4,732
Payable charges	678	2,198
Revenues with deferred income	37	13
Other liability transactions pending regularisation	676	482
	4,574	8,777

The 'Creditors and other resources' item is largely comprised of amounts payable to suppliers, withheld taxes and social security dues. The expenses payable are mostly accounted for by accruals of employee-related costs (holiday pay and subsidies) and other costs. On the first quarter of 2017, the amounts due and payable to suppliers were made in the expected dates.

28. EQUITY TRANSACTIONS

As at 31 December 2016 and 2015, the "Equity Transactions" item had the following breakdown:

	2016	2015
Share capital	126,198	114,440
Other equity instruments	-	11,758
Revaluation reserves of securities	754	801
Reserves and retained earnings		
Legal Reserve	3,300	3,300
Other reserves	21,082	23,312
Special Reserve (REIAD)	486	-
Retained Earnings	(117,117)	(77,563)
Profit / (Loss) for the year	(10,473)	(41,545)
Non-controlling interests	-	2,839
	24,230	37,343

As at 31 December 2016, Banif - Banco de Investimento, SA's share capital was increased by 11,758 thousand euros, by means of the conversion of the supplementary contributions paid in by the single shareholder - Oitante, SA. Through this operation, a total of 2,351,674 new shares were issued, with a nominal value of 5 euros each.

As a result of this share capital increase, the Bank's share capital as at 31 December 2016 stood at 126,198 thousand euros, represented by 25,239,674 shares, with a nominal value of 5 euros each.

The revaluation reserves correspond exclusively to the portfolio of financial assets held for sale.

The Group complies with minimum capital requirement and has a Core Tier 1 ratio of 22.1% and a Total Core Ratio of 23.6%.

The revaluation reserves present the following movements:

Revaluation Reserves	
Balance as at 31-12-2015	**801**
Reserves emerging from the valuation at fair value of the financial assets available for sale	(62)
Reserves recorded in profits / (losses) in year 2016 from the disposal of assets	14
Reserves associated to foreign exchange differences	1
Balance as at 31-12-2016	**754**

29. NON-CONTROLLING INTERESTS

The non-controlling interests pertain to the Group's 56.49% holding in Banif Pensões. This holding was sold at the end of 2016.

As at 31 December 2015, the non-controlling interests associated with Banif Pensões amounted to 2,839 thousand euros on the balance sheet and to -168 thousand euros on the income statement.

30. INTEREST AND SIMILAR INCOME AND INTEREST AND SIMILAR EXPENSES

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Interest and similar income	428	4,682
Interest on loans to customers	215	1,317
Interest on financial assets held for trading	195	3,305
Interest on financial assets available for sale	12	32
Interest on balances at credit institutions	6	13
Interest on assets with a repurchase agreement	-	15
Interest and similar charges	931	3,847
Interest on customer resources and other loans	474	876
Interest on liabilities held for trading	248	2,107
Interest on resources from credit institutions	185	642
Interest on other subordinated liabilities	24	222

31. INCOME FROM EQUITY INSTRUMENTS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Other entities	458	347
	458	347

32. INCOME AND EXPENSES FROM FEES AND COMMISSIONS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Income from Commissions	4,305	6,271
Other services rendered	896	2,043
Rendered services of administration, custodian and deposit of securities	497	662
Securities transactions	272	627
Guarantees provided	60	72
Structuring of Transactions	3	18
Loan Transactions	11	42
Other commissions received		
Management commissions	-	-
Others	2,566	2,807
Commissions Expenses	628	575
Banking services provided by third parties	327	391
Other comissions paid	240	14
Securities transactions	61	170

33. PROFIT/LOSS ON FINANCIAL OPERATIONS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Gains on financial transactions		
Gains on other financial assets at fair value through profit or loss	525	13
Gains on financial assets and liabilities held for trading	752	5,601
Gains on financial assets available for sale	24	35
Gains on foreign exchange differences	2,512	2,196
	3,813	**7,845**
Losses on financial transactions		
Losses on other financial assets at fair value through profit or loss	6,202	1,839
Losses on financial assets and liabilities held for trading	189	7,020
Losses on financial assets available for sale	52	45
Losses on foreign exchange differences	2,453	2,067
	8,896	**10,971**
Profit / (Loss) from assets and liabilities valued at fair value through profit or loss	**(5,114)**	**(3,245)**
Profit / (Loss) from financial assets available for sale	**(28)**	**(10)**
Profit / (Loss) from foreign exchange revaluation	**59**	**129**

The foreign exchange position, by currency, as at 31 December 2016 is presented in note 41.

34. OTHER OPERATING PROFITS/LOSSES

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Other operating income and revenues	2,539	277
Other operating charges and expenses	(825)	(1,438)
Other taxes	(218)	(281)
	1,496	(1,442)

The balances of the Other operating income and revenues and Other operating expenses and costs items changed between 2015 and 2016. This is explained by the classification of subsidiaries and associates as non-current assets held for sale. The profit/loss made by these entities (-2,594 thousand euros in 2016 and +14 thousand euros in 2015) would be presented, for all intents and purposes, in Other operating profit/loss. However, because these entities have been classified as non-current assets held for sale in 2016 and the figures for 2015 have been restated, their profit/loss is carried in the entry for discontinued operations. Thus, the 2016 reclassification of branches and subsidiaries to non-current assets held for sale, and the corresponding restatement in 2015, has an impact in the Other operating profit/loss item for both 2016 and 2015.

35. PERSONNEL COSTS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Remuneration of management and supervisory board members	316	395
Remuneration of employees	1,376	1,499
Compulsory social security charges:		
Charges relating to remuneration	400	448
Charges with pension funds	72	101
Other social security charges	19	22
Other personnel costs	239	169
	2,422	2,634

The change in "Other personnel costs" item is justified by the expenditure associated with contractual penalties, which amounted to 112 thousand euros in 2016, compared to 37 thousand euros in 2015.

The Bank and its employees contribute to a defined contribution pension fund managed by Banif Pensões, with members acquiring individual pension rights through the fund.

36. GENERAL ADMINISTRATIVE COSTS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Water, energy and fuel	80	104
Consumables	30	38
Publications	1	3
Other third-party supplies	-	1
Rents and leases	136	331
Communications	121	138
Travel, accommodation and representation	177	246
Advertising and publications	11	8
Maintenance and repair	21	35
Transport	2	5
Training	47	23
Insurance	11	31
Retainers and legal fees	356	55
Legal, litigation and notary fees	2	13
IT	590	515
Cleaning	-	2
Information	681	786
Studies and consultations	-	10
External advisers and auditors	382	103
External evaluators	59	0
Other specialized services	280	45
	2,986	2,492

Details of the total fees invoiced by BBI's Statutory Auditor for the financial years ending 31 December 2016 and 2015 are as follows, per type of service provided:

Fees charged by the Statutory Auditor	2016	2015
External audit of the accounts	72	41
Other reliability assurance services	33	22
Tax advisory services	-	-
	105	63

Note: VAT not included.

"Other assurance services" item includes fees related to the review of the Bank's internal control system, as required by Bank of Portugal Notice no. 5/2008, the review of the specific internal control system for the prevention of money laundering and terrorist financing, as required by Bank of Portugal Notice No. 9/2012, the review of the impairment of the loan portfolio, as required by Bank of Portugal Instruction no. 5/2013 (only in 2015) and the review of procedures and measures related to the safeguarding of client assets, in compliance with no.4 of Article 304-C, of the Securities Code.

The increase in 2016 in retainers and professional fees can be explained essentially by the costs associated with legal and tax services engaged by the Bank. These amounted to 105 thousand euros and 93 thousand euros, respectively.

The increase in 2016 in external consultant costs concerned IT services (116 thousand euros) and the financial monitoring of the sales of affiliated and associated companies (233 thousand euros).

37. NON-CONTROLLING INTERESTS

The non-controlling interests refer to the 54.69% holding in Banif Pensões, which result to an external-Group holding of 43.51%.

Banif Pensões	31/12/2016	31-12-2015 Restated
Net Profit / (Loss) for the year	(170)	(385)
Non-controlling interests	(74)	(168)

38. PROFIT/LOSS FROM DISCONTINUED UNITS

The contribution by subsidiary to the profit/loss of the entities classified as discontinued units is as follows:

Entity	31/12/2016	31-12-2015 Restated
Banif Gestão de Activos	(14)	440
Banif Capital	(3,031)	(1,515)
Banif International Asset Management	(163)	119
Banif Multi Fund	1	4
Gamma	332	465
Banif Pensões	339	524
MCO2	(58)	(23)
	(2,594)	14

The details of Profit/Loss from discontinued operations are presented in note 12.

39. OFF-BALANCE RESPONSABILITIES

The breakdown for contingencies and commitments entered into with third parties but not recognised in the Financial Statements, with reference to 31 December 2016 and 2015 is as follows:

Description	31/12/2016	31/12/2015
Other guarantees provided (of which:)		
Assets given as guarantee	37,706	54,225
Commitments to third parties (of which:)		
Irrevocable commitments	2	497
Revocable commitments	62	1,303
	37,770	56,025

The assets pledged as collateral for the Emergency Liquidity Assistance were the following:

Emergency Liquidity Assistance	31/12/2016	31/12/2015
Banif Imopredial	16,886	20,502
Turirent	6,700	6,607
Banif Imogest	3,800	5,156
Banif Reabilitação Urbana	-	5,736
Banif Property	689	713
Granted Loan (Escala Vila Franca)	-	5,608
Real Estate Assets (Amoreiras)	4,404	4,478
Portuguese OT - intraday	5,227	5,425

As at 31 December 2016, the Group had the following assets under management:

Assets under management	**31/12/2016**	**31/12/2015**
Amounts under the Group's management	1,128,523	1,598,339
	1,128,523	1,598,339

40. EARNINGS PER SHARE

Basic earnings per share:

Description	**31/12/2016**	**31/12/2015**
Profit / (Loss) for the year (in euros)	(10,473,373)	(41,544,726)
Weighted average number of ordinary shares issued	22,920,215	17,016,132
Basic earnings per share (expressed in euro per share)	-0.46	-2.44

41. RISKS OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

41.1 Risk management policies and main risks

Risk management is supervised according to strategies and policies defined by the Board of Directors. Daily management of risks is delegated to the Director Responsible for the Global Risk Department.

In functional terms, the management and monitoring of risk at BBI is centralised in the Global Risk Department (DGR). As a unit, DGR is independent of the originating departments and has the organisational and functional autonomy and access to all activities and information it needs to carry out its duties. Its main function is the implementation of an integrated risk management system appropriate to the Bank's nature and risk profile.

The DGR takes an active role in influencing the decision process by issuing analyses, opinions, guidance and recommendations on operations that involve risk taking and ensures that information is regularly reported to the Board of Directors, governing bodies and other relevant persons in management, so that these may understand and monitor the main risks.

a) Credit Risk

Credit risk is the likelihood that there will be future negative impacts on results or capital due to the inability of a counterparty to meet its financial commitments to the Group, including possible restrictions on the transfer of payments from overseas. Credit risk manifests itself in the possibility of a negative change in the economic value of a given instrument as a result of the deteriorating credit risk of the counterparty (e.g. external ratings).

At BBI, the credit risk underlying the activity results primarily from its bond portfolio and from the loans and guarantees provided to clients as a complementary service to other investment banking activities.

The Group's policy involves the provision of collateralised credit, namely property mortgages and pledges on securities, amongst other credit services. All collateral is valued at its fair value, based on market value, or by using a model that takes into account the specificities of each type of collateral. In the case of mortgage loans, the Group takes advice from property valuation companies certified by the CMVM. For loans with pledged securities, there is daily control of the market value of the collateralised positions by an internally developed computer application that produces the necessary alerts for requesting additional margins or execution of guarantees.

In the course of 2016, the Bank did not have any credit activity (as of June 30, 2016, the net loan portfolio as a % of total Assets was 0.3%).

The credit risk inherent in bank portfolio securities is controlled through the preparation of specific reports that contain an analysis of the portfolio by credit quality, which is based on external ratings from the major international agencies, in addition to internally developed monitoring models.

Impairment

Credit Risk ultimately appears in the impairment losses carried by the Bank, which are best estimates of losses at a particular reference date, and may be reflected, or not, in actual losses.

It is considered that a loan is impaired if one or more events imply that the recoverable amount will be less than the book value. If there is objective evidence of an impairment causing event, the loss will be calculated as the difference between the book value and the present value of the estimated future cash flows (excluding losses from events that have not yet occurred), discounted at the original interest rate of the contract.

The book value to be considered covers all the amounts carried in the balance sheet for the loan in question, namely principal due, outstanding principal, accumulated interest and overdue interest. Estimated future cash flows included in the calculation referred to contractual loan amounts, adjusted for any amounts that the Group feels it will not recover and for the time period over which it is foreseeable that such cash flows will occur. The time period for recovery of cash flows is a highly significant variable in calculation of the impairment. This is because, even in cases where the full contractual cash flows owed are likely to be received, but after the contract dates, an impairment loss must be recognised.

The Group has no historical information or portfolio of credit sufficiently large to allow it to carry out a comprehensive study of default frequencies and losses actually incurred (PD and LGD). Thus, impairment losses are primarily determined at an individual level or on a case-by-case basis, taking into account the specific characteristics of the operation and the best estimate of the recoverable value (loans and guarantees) at the valuation date.

The individual impairment level stipulated for an operation analysed on a case-by-case basis follows a prudent approach that takes into account its contractual aspects, the economic and financial situation of the client and the collateral pledged, to which haircuts are applied (for property assets), depending on the nature and liquidity of this collateral. In estimating the future recoverability resulting from these factors, the cash flows are updated to the present moment at the contracted rate.

Financial assets by accounting category

Consolidated credit risk analysis of BBI covers its securities portfolio, loans to clients, cash and applications in credit institutions and derivatives.

Financial assets by balance sheet item had the following credit risk exposure as at 31 December 2016 and 2015:

(values expressed in thousand euros)

	Dec-16				Dec-15			
	Gross Exposure[1]	Impairment	Collateral[2]	Effective Exposure[3]	Gross Exposure[1]	Impairment	Collateral[2]	Effective Exposure[3]
Deposits and applications in Credit Institutions	34,972	0	0	34,972	24,194	0	0	24,194
Financial assets held for trading	10,441	0	0	10,441	2,544	0	0	2,544
Other financial assets at fair value through profit or loss	28,300	0	0	28,300	37,161	0	0	37,161
Financial assets available for sale	35,697	10,628	0	25,069	46,834	15,027	0	31,807
Loans and advances to clients	16,510	16,089	312	109	28,940	19,640	7,488	1,812
Held-to-maturity Investments	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	2	0	0	2
Other assets	8,861	712	0	8,149	16,119	2,703	0	13,416
Sub-Total	**134,781**	**27,429**	**312**	**107,040**	**155,794**	**37,370**	**7,488**	**110,936**
Guarantees provided and commitments	41,427	0	0	41,427	63,424	0	0	63,424
Irrevocable Credit Lines	2	0	0	2	497	0	0	497
Sub-Total	**41,429**	**0**	**0**	**41,429**	**63,921**	**0**	**0**	**63,921**
Total credit risk exposure	**176,210**	**27,429**	**312**	**148,469**	**219,715**	**37,370**	**7,488**	**174,856**

[1] Gross Exposure: Refers to the gross balance sheet value.

[2] Collateral: Value of the collateral associated with an operation limited to its net value.

[3] **Effective Exposure**: Refers to the Gross Exposure less impairment and the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

As at 31 December 2016, loans to clients, net impairment, amounted to about 1.2 million euros. At that date, the collateral coverage ratio was about 25.6% (Mortgages).

As at 31 December 2016, no amounts are carried for reverse repos.

Guarantees provided by the Bank carried as an off-balance sheet item amount to 41 million euros.

Credit risk concentration by business sector:

As at 31 December 2016:

(values expressed in thousand euros)

	Dec-16					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Services	202	0%	-	0%	202	0%
Construction	106	0%	-	0%	106	0%
Real Estate activities	-	0%	-	0%	0	0%
Industry	2,206	2%	-	0%	2,206	2%
Public Sector	15,672	16%	-	0%	15,672	16%
Other sectors	45,806	46%	312	100%	45,495	46%
Retail Sales	0	0%	0	0%	0	0%
Financial institutions and insurance companies	35,211	35%	-	0%	35,210	36%
Private Clients	1	0%	-	0%	1	0%
Total	**99,203**	**100%**	**312**	**100%**	**98,892**	**100%**

Notes:

[1] **Effective Exposure**: Refers to the Net Balance Sheet Exposure less the mitigation effect that is deemed an actual reducer of the credit risk . It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

"Other sectors" item mainly (99%) comprises the item of securities.

As at 31 December 2015:

(values expressed in thousand euros)

	Dec-15					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Services	2,952	3%	-	0%	2,952	3%
Construction	108	0%	-	0%	108	0%
Real Estate activities	-	0%	-	0%	-	0%
Industry	9,051	9%	-	0%	9,051	9%
Public Sector	6,361	6%	-	0%	6,361	7%
Other sectors	59,028	56%	7,284	97%	51,744	53%
Retail Sales	461	0%	0	0%	461	0%
Financial institutions and insurance companies	26,808	26%	-	0%	26,808	27%
Private Clients	238	0%	204	3%	34	0%
Total	**105,007**	**100%**	**7,488**	**100%**	**97,519**	**100%**

Notes:

[1] **Effective Exposure**: Refers to the Net Balance Sheet Exposure less the mitigation effect that is deemed na actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

Concentration of credit risk by geographic region:

As at 31 December 2016:

(values expressed in thousand euros)

	Dec-16					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Mainland Portugal	90,840	92%	-	0%	90,840	92%
Autonomous Regions	-	0%	-	0%	-	0%
European Union	6,199	6%	-	0%	6,199	6%
Latin America	659	1%	312	0%	347	0%
North America	470	0%	-	0%	470	0%
Rest of the World	1,036	1%	-	0%	1,036	1%
Rest of Europe	-	0%	-	0%	-	0%
Total	**99,203**	**100%**	**312**	**0%**	**98,892**	**100%**

Notes:
[1] Effective Exposure: Refers to the Net Balance Sheet Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

As at 31 December 2015:

(values expressed in thousand euros)

	Dec-15					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Mainland Portugal	89,119	85%	7,488	100%	81,631	84%
Autonomous Regions	198	0%	0	0%	198	0%
European Union	13,271	13%	-	0%	13,271	14%
Latin America	934	1%	-	0%	934	1%
North America	628	1%	-	0%	628	1%
Rest of the World	857	1%	-	0%	857	1%
Rest of Europe	-	0%	-	0%	-	0%
Total	**105,007**	**100%**	**7,488**	**100%**	**97,519**	**100%**

Notes:
[1] Effective Exposure: Refers to the Net Balance Sheet Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

The following tables present breakdowns of all financial assets by credit quality. The rating notations are mapped from external ratings assigned by the main international agencies Moodys, Fitch and S&P. This mapping followed the standard methodology of the Basel agreement, by selecting the worst of the two best ratings, where there are different ratings for the same asset. Credit positions or securities that do not have an external rating assigned by any of the three major international agencies are classified as *Not Rated*.

Exposures without an external rating total 80 million euros. These are mostly "Deposits with Banks", which amounted to about 32 million euros, as at 31 December 2016. This item pertains essentially to Sight Deposits with the Bank of Portugal.

Breakdown of financial assets by credit quality, per balance sheet item, as of 31 December 2016:

Dec-16 (values expressed in thousand euros)

	HIGH GRADE	STANDARD GRADE	SUB-STANDARD GRADE	NOT RATED	TOTAL
Deposits and Applications with Credit Institutions	2,625	205	315	31,827	34,972
Financial assets held for trading	-	259	10,182	-	10,441
Other financial assets at fair value through profit or loss	-	-	-	28,300	28,300
Financial assets available for sale	-	-	5,619	19,450	25,069
Loans and advances to clients				421	421
Derivatives	-	-	-	-	-
Total	**2,625**	**464**	**16,116**	**79,998**	**99,203**
In %	2.6%	0.5%	16.2%	80.6%	100%

Note:
Net balance sheet exposure. It does not include the item "Other Assets".

As at 31 December 2015, was as follows:

Dec-15 (values expressed in thousand euros)

	HIGH GRADE	STANDARD GRADE	SUB-STANDARD GRADE	NOT RATED	TOTAL
Deposits and Applications with Credit Institutions	4,296	450	3,683	15,765	24,194
Financial assets held for trading	-	1,219	415	908	2,542
Other financial assets at fair value through profit or loss	-	-	-	37,161	37,161
Financial assets available for sale	-	2,410	7,854	21,543	31,807
Loans and advances to clients				9,300	9,300
Derivatives	-	-	2	-	2
Total	**4,296**	**4,079**	**11,955**	**84,677**	**105,007**
In %	4.1%	3.9%	11.4%	80.6%	100%

Note:
Net balance sheet exposure. It does not include the item "Other Assets".

Classification:	
HIGH GRADE	[AAA to A-]
STANDARD GRADE	[BBB+ to BBB-]
SUB-STANDARD GRADE	<= BB+
NOT RATED	NR

With regards to the quality of the credit portfolio, the table below presents the main ratios to BBI, in an individual accounts basis, with reference to 31 December 2016 and to 31 December 2015:

	2016	2015
Credit at risk ratio	43.4%	5.6%
Overdue loans ratio	42.1%	5.3%
Credit at risk coverage ratio	192.6%	991.0%
Overdue loans coverage ratio	198.7%	1035.8%

Comparing to December 2015, there was a deterioration of credit quality ratios, however, the credit coverage ratios remained high. The evolution of these indicators also reflects the impact of the disposal of part of the credit portfolio (5.6 million euros related to Project and Acquisition Finance operations) during the first half of the year of 2016.

b) Market risk

Market risk is the likelihood that there will be negative impacts on results or on capital due to unfavourable changes in the market price of instruments in the trading book, caused, in particular, by fluctuations in interest rates, exchange rates, listed share prices or the prices of commodities. Market risk derives, above all, from short-term positions in debt and equity securities, currencies, commodities and derivatives.

At BBI, market risk arises primarily from exposures in securities held in the trading book, as is not the Bank's policy to trade derivatives. As a general rule, derivatives are contracted to financially hedge positions, particularly operations with clients, through symmetrical operations with other counterparties that cancel out the market risk between each other. They are also used to hedge own portfolio risks. Thus, and taking into account the business areas in which it operates, the main market risks to which the BBI is subject are those resulting from variations in interest rates, exchange rates and securities market prices.

The Bank uses the *Value-at-Risk* (VaR) method as its main market risk indicator, to estimate potential losses under adverse market conditions. The system chosen for this purpose, Bloomberg, allows analysing portfolio risk and breaking it down into several explanatory factors. The correlation between assets is also measured, at both the top level and at the different risk disaggregation levels. The DGR monitors the thresholds set by the Board of Directors for the trading book VaR. It also makes daily risk calculations using the historical model.

The following tables present the VaR for BBI's trading book, which, as at 31 December 2016 amounted to approximately 10,441 thousand euros in absolute values mainly comprised fixed-income securities and there was no exposure to shares.

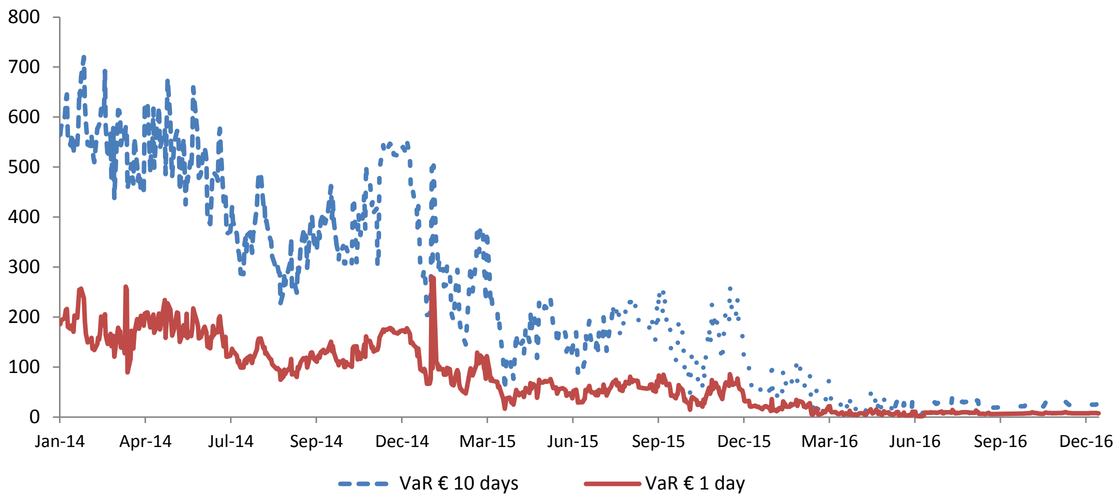
	Portfolio Value		
	TOTAL €th	**Long Pos. €th**	**Short Pos. €m**
31/12/2015	1,468	2,045	(577)
31/12/2016	10,441	10,441	-

The Bloomberg specialised software was used to calculate this risk metric. The VaR was calculated using the historical model, for 10-day and 1-day horizons, with a 99% confidence interval. A two-year observation period was applied, as per international good practice.

As at 30 December 2016, the 10-day VaR of the trading book was about 24 thousand euros, representing 0.24% of the net market value of the portfolio. The 1-day VaR was approximately 0.01 thousand euros, representing 0.08% of the net market value of the portfolio.

	VaR 10 days		VaR 1 day	
	€th	%	€th	%
31/12/2015	63.2	4.25%	20.8	1.40%
31/12/2016	24.2	0.24%	0.0	0.08%

The chart below shows the daily change in the VaR over the last two years.



Source: BarraOne/Bloomberg.

	Date	VaR 10 days		Date	VaR 1 day	
		€th	%		€th	%
Minimum	24/jun/16	3.15	9.0%	24/jun/16	1.41	4.0%
Average	-	32.6	11.29%	-	10.5	3.71%
Maximum	21/jan/16	111.4	3.98%	21/jan/16	36.0	1.29%

Throughout the year, the trading book VaR remained within the defined limits. It reached a minimum for the year on 24 June (3.15 thousand euros – 10 days) and a maximum on 21 January (111.4 thousand euros – VaR 10 days).

c) Exchange Rate Risk

Exchange rate risk is the likelihood that financial assets denominated in foreign currency will fluctuate in value as a result of changes in exchange rates.

The Bank systematically monitors its overall exposure to exchange rate risk by implementing a daily routine for calculating the exchange position for the major currencies. This covers spot positions resulting primarily from trading in the securities portfolio as well as variations in the company's net earnings (potential or realised) resulting from conversions of the balances of each account using the ECB fixing.

The following table presents the individual foreign exchange position of BBI, per currency, on 31 December 2016:

Currency	Long Position	Short Position
USD	1,476	
GBP	69	
CHF	40	
BRL	0	
SEK	4	
NOK	2	
AUD	2	
JPY	0	
HKD	0	
Others	6	
CAD		1
PLN		6
Total	1,598	7

Note: Net position.

As at 31 December 2015 these positions were as follows:

Currency	Long Position	Short Position
USD	3,105	
GBP	248	
CHF	132	
BRL	77	
SEK	4	
NOK	3	
AUD	2	
JPY	0	
HKD	0	
Others	0	
CAD		0
PLN		6
Total	3,572	7

Note: Net position.

As at 31 December 2016, the largest exposures were in USD. These long positions were worth around 1,476 thousand euros (93% of total exposure). The remaining currencies were largely insignificant.

d) Interest Rate Risk

Interest rate risk is the likelihood of future financial losses (in earnings or capital) generated by adverse movements in interest rates, taking into account an institution's balance sheet structure. This type of risk is systematically analysed from a long-term perspective. This analysis focuses on exposures in the banking book as a function of resetting periods, as per the recommendations of the New Basel Accord and Bank of Portugal (Notice no. 19/2005).

Assessment of interest rate risk in the trading book is as part of the market risk analysis, with its short-term horizon, given that this book is managed on a daily basis.

The Bank’s regularly produced exposure control reports include calculations of the assets and liabilities by maturity date in overall terms. The banking and trading books are analysed separately, by major currencies, to highlight any inadequacy in the rate resetting periods for assets and liabilities.

The breakdown for financial assets and liabilities by interest rate resetting period, as at 31 December 2016, was as follows:

(values expressed in thousand euros)

Dec-16		Residual Maturities								
	Non Sensitive	UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Sensitive	TOTAL
Assets										
Money market / liquidity	34,772	0	0	200	0	0	0	0	200	34,972
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	285	0	0	0	0	136	0	0	136	421
Debt Securities & Derivatives MtM	0	10,006	0	5,278	594	181	0	0	16,059	16,059
Shares & Funds	47,750	0	0	0	0	0	0	0	0	47,750
Other Assets	26,950	0	0	0	0	0	0	0	0	26,950
Total Assets	**109,757**	**10,007**	**0**	**5,478**	**594**	**317**	**0**	**0**	**16,395**	**126,153**
Liabilities										
Money market / Loro Accounts	363	0	0	0	0	0	0	0	0	363
Term Deposits	38	51,476	576	0	0	0	0	0	52,051	52,089
On-Demand Deposits	34,381	0	0	0	0	0	0	0	0	34,381
Subordinated Debt	2	2,178	0	0	0	0	0	0	2,178	2,180
Securities (short) & Derivatives MtM	0	0	0	0	0	0	0	0	0	0
Other Liabilities	12,910	0	0	0	0	0	0	0	0	12,910
Equity	24,229	0	0	0	0	0	0	0	0	24,229
Total Liabilities + Equity	**71,924**	**53,654**	**576**	**0**	**0**	**0**	**0**	**0**	**54,229**	**126,153**
GAP	**37,834**	**-43,647**	**-576**	**5,478**	**594**	**317**	**0**	**0**	**-37,834**	**0**
CUMULATIVE GAP		**-43,647**	**-44,223**	**-38,744**	**-38,151**	**-37,834**	**-37,834**	**-37,834**	**--**	**--**

Note: Values net of impairment

As at 31 December 2016, 87% of BBI's assets and 56% of its liabilities and equity were not sensitive to interest rate risk and were not affected by interest rate swings, in terms of re-setting scales.

As at 31 December 2015 these positions were as follows:

(values expressed in thousand euros)

Dec-15		Residual Maturities								
	Non Sensitive	UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Sensitive	TOTAL
Assets										
Money market / liquidity	24,195	0	0	0	0	0	0	0	0	24,195
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	3,405	9	5,708	0	0	179	0	0	5,896	9,300
Debt securities & Derivatives MtM	454	3,249	2,537	7,243	889	0	0	0	13,918	14,372
Shares & Funds	57,139	0	0	0	0	0	0	0	0	57,139
Other Assets	34,972	0	0	0	0	0	0	0	0	34,973
Total Assets	**120,165**	**3,258**	**8,245**	**7,243**	**889**	**179**	**0**	**0**	**19,814**	**139,979**
Liabilities										
Money market / Loro Accounts	10,300	12,500	0	0	0	0	0	0	12,500	22,800
Term Deposits	33	5,313	830	2,500	0	0	0	0	8,643	8,677
On-Demand Deposits	44,090	9,897	0	0	0	0	0	0	9,897	53,986
Subordinated Debt	3	2,178	0	0	0	0	0	0	2,178	2,181
Securities (short) & Derivatives MtM	456	0	0	0	98	390	0	0	488	944
Other Liabilities	14,048	0	0	0	0	0	0	0	0	14,048
Equity	37,343	0	0	0	0	0	0	0	0	37,343
Total Liabilities + Equity	**106,273**	**29,888**	**830**	**2,500**	**98**	**390**	**0**	**0**	**33,706**	**139,979**
GAP	**13,892**	**-26,629**	**7,414**	**4,743**	**791**	**-212**	**0**	**0**	**-13,892**	**0**
CUMULATIVE GAP		**-26,629**	**-19,215**	**-14,472**	**-13,681**	**-13,892**	**-13,892**	**-13,892**	**--**	**--**

Note: Values net of impairment

The table below presents a sensitivity analysis of the interest rate risk for the banking book, based on the reports to the regulator. This analysis is based on a standard interest rate shock of 200 basis points and the impact of this on the total equity and annual net interest income, in individual terms. The analysis is based on the assumptions made in accordance with Bank of Portugal Instruction 19/2005.

2016

(values expressed in thousand euros)

Remaining Term	Assets	Liabilities	Off-Balance sheet		Position	Total Equity	
						Weighting factor	Weighted exposure
	(+)	(-)	(+)	(-)	(+/-)	(1)	(2)
<= 1 month	0	3,375	0	0	-3,375	0.08%	3
> 1 and <= 3 months	0	50,279	0	0	-50,279	0.32%	161
> 3 and <= 6 months	0	576	0	0	-576	0.72%	4
> 6 and <= 12 months	5,426	0	0	0	5,427	1.43%	-78
> 1 and <= 2 years	392	0	0	0	392	2.77%	-11
> 2 and <= 3 years	0	0	0	0	0	4.49%	0
> 3 and <= 4 years	136	0	0	0	136	6.14%	-8
> 4 and <= 5 years	0	0	0	0	0	7.71%	0
> 5 and <= 7 years	0	0	0	0	0	10.15%	0
> 7 and <= 10 years	0	0	0	0	0	13.26%	0
> 10 and <= 15 years	0	0	0	0	0	17.84%	0
> 15 and <= 20 years	0	0	0	0	0	22.43%	0
> 20 years	0	0	0	0	0	26.03%	0
	5,954	54,229	0	0			71
Non Sensitive	109,757	71,924	0	0			

(values expressed in thousand euros)

Remaining Term	Assets	Liabilities	Off-Balance sheet		Position	Interest Margin	
						Weighting factor	Weighted exposure
	(+)	(-)	(+)	(-)	(+/-)	(1)	(2)
<= spot	0	0	0	0	0	2.00%	0
> spot and <= 1 month	0	3,375	0	0	-3,375	1.92%	-65
> 1 e <= 2 meses	0	16,923	0	0	-16,923	1.75%	-296
> 2 and <= 3 months	0	33,356	0	0	-33,356	1.58%	-527
> 3 and <= 4 months	0	119	0	0	-119	1.42%	-2
> 4 and <= 5 months	0	160	0	0	-160	1.25%	-2
> 5 and <= 6 months	0	297	0	0	-297	1.08%	-3
> 6 and <= 7 months	0	0	0	0	0	0.92%	0
> 7 and <= 8 months	0	0	0	0	0	0.75%	0
> 8 and <= 9 months	0	0	0	0	0	0.58%	0
> 9 and <= 10 months	5,227	0	0	0	5,227	0.0042	22
> 10 and <= 11 months	200	0	0	0	200	0.25%	1
> 11 and <= 12 months	0	0	0	0	0	0.08%	0
	5,427	54,229	0	0			-872

Sensitivity analysis of the impact of a variation of 200 basis points in the interest rate curve, by relevant currencies, as at 31 December 2016 and 31 December 2015:

SENSITIVITY ANALYSIS - BANKING BOOK INTEREST RATE RISK - BBI CONSOLIDATED

(values expressed in thousand euros)

		2016	2015
EUR	Impact on Total Equity	71	-128
	Own Funds	24,544	34,375
	Impact on Own Funds, in %	0%	0%
	Impact on Net Interest Income, at 12 month	-872	-440
	Net Interest Income	504	-1,030
	Impact on Net Interest Income annual, in %	-173%	43%
USD	Impact on Total Equity	0	0
	Own Funds	24,544	34,375
	Impact on Own Funds, in %	0%	0%
	Impact on Net Interest Income, at 12 month	0	0
	Net Interest Income	504	-1,030
	Impact on Net Interest Income annual, in %	0%	0%
TOTAL	Impact on Total Equity	71	-128
	Own Funds	24,544	34,375
	Impact on Own Funds, in %	0%	0%
	Impact on Net Interest Income, at 12 month	-872	-440
	Net Interest Income	504	-1,030
	Impact on Net Interest Income annual, in %	-173%	43%

The results of the sensitivity analysis suggest that a rise in market rates will have a negative impact on Net Interest Income and a marginally positive impact on Net Worth. The impact on Net Interest Income is a direct outcome of the structure of the banking portfolio, with its concentration of interest rate risk at shorter intervals for liability items and at longer intervals for asset items.

e) Liquidity Risk

Liquidity risk is the likelihood of negative impacts caused by the institution's lack of the immediately available liquid funds required for timely fulfillment of its financial obligations, and whether such fulfillment is carried out under reasonable conditions. At BBI, liquidity levels are adapted to the amounts and terms of commitments and funding inflows and to the identification of gaps.

To maximise the structural risk management component of the balance sheet, BBI has an operational unit that defines and implements financial policies, particularly in terms of liquidity and treasury management.

The breakdown for financial assets and liabilities by residual maturity period, as at 31 December 2016, was as follows:

(values expressed in thousand euros)

Dec-16

	Non Sensitive	Residual Maturities: UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Interest Rate	TOTAL
Assets										
Money market / liquidity	34,772	0	0	200	0	0	0	0	200	34,972
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	285	0	0	0	0	136	0	0	136	421
Debt Securities	0	10,006	0	5,278	594	181	0	0	16,059	16,059
Shares and Investment Funds	47,750	0	0	0	0	0	0	0	0	47,750
Other Assets	26,950	0	0	0	0	0	0	0	0	26,950
Total Assets	**109,757**	**10,007**	**0**	**5,478**	**594**	**317**	**0**	**0**	**16,396**	**126,153**
Liabilities										
Money market / Loro Accounts	363	0	0	0	0	0	0	0	0	363
Term Deposits	38	51,476	576	0	0	0	0	0	52,051	52,089
On-Demand Deposits	34,381	0	0	0	0	0	0	0	0	34,381
Subordinated Debt	2,180	0	0	0	0	0	0	0	0	2,180
Other Liabilities	12,910	0	0	0	0	0	0	0	0	12,910
Equity	24,229	0	0	0	0	0	0	0	0	24,229
Total Liabilities + Equity	**74,102**	**51,476**	**576**	**0**	**0**	**0**	**0**	**0**	**52,051**	**126,153**
GAP	**37,834**	**-41,469**	**-576**	**5,478**	**594**	**317**	**0**	**-2,178**	**-37,834**	**0**
CUMULATIVE GAP	**---**	**-41,469**	**-42,045**	**-36,566**	**-35,973**	**-35,656**	**-35,656**	**-37,834**	**---**	**---**
Off-Balance										
Derivatives - Asset		0	0	0	0	0	0	0	0	0
Derivatives - Liabilities		0	0	0	0	0	0	0	0	0
Off- Balance Gap		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Off-Balance Gap	---	**0**	**0**	**0**	**0**	**0**	**0**	**0**	---	---
Total Structural Gap	**37,834**	**-41,469**	**-576**	**5,478**	**594**	**317**	**0**	**-2,178**	**-37,834**	**0**
CUMULATIVE GAP	**---**	**-41,469**	**-42,045**	**-36,566**	**-35,973**	**-35,656**	**-35,656**	**-37,834**	**---**	**---**

Note: Values net of impairment.

As at 31 December 2015 these positions were as follows:

Dec-15

	Non Sensitive	Residual Maturities: UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Interest Rate	TOTAL
Assets										
Money market / liquidity	24,195	0	0	0	0	0	0	0	0	24,195
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	3,405	9	100	0	0	179	5,608	0	5,896	9,300
Debt Securities	454	1,012	0	387	7,387	3,467	1,513	153	13,918	14,372
Shares and Investment Funds	57,139	0	0	0	0	0	0	0	0	57,139
Other Assets	34,972	0	0	0	0	0	0	0	0	34,973
Total Assets	**120,165**	**1,021**	**100**	**387**	**7,387**	**3,645**	**7,121**	**153**	**19,814**	**139,979**
Liabilities										
Money market / Loro Accounts	10,300	12,500	0	0	0	0	0	0	12,500	22,800
Term Deposits	33	5,313	830	2,500	0	0	0	0	8,643	8,677
On-Demand Deposits	44,090	9,897	0	0	0	0	0	0	9,897	53,986
Subordinated Debt	3	0	2,178	0	0	0	0	0	2,178	2,181
Securities portfolio (short)	456	0	0	0	98	390	0	0	488	944
Other Liabilities	14,048	0	0	0	0	0	0	0	0	14,048
Equity	37,343	0	0	0	0	0	0	0	0	37,343
Total Liabilities + Equity	**106,273**	**27,710**	**3,008**	**2,500**	**98**	**390**	**0**	**0**	**33,706**	**139,979**
GAP	**13,892**	**-26,689**	**-2,908**	**-2,113**	**7,289**	**3,255**	**7,121**	**153**	**-13,892**	**0**
CUMULATIVE GAP	**---**	**-26,689**	**-29,597**	**-31,710**	**-24,421**	**-21,166**	**-14,045**	**-13,892**	**---**	**---**
Off-Balance										
Derivatives - Assets		1,120	0	0	0	0	11,203	0	12,322	12,322
Derivatives - Liabilities		1,121	0	0	0	0	11,203	0	12,323	12,323
Off- Balance Gap		**-1**	**0**	**0**	**0**	**0**	**0**	**0**	**-1**	**-1**
Cumulative Off-Balance Gap	---	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	---	---
Total Structural Gap	**13,892**	**-26,689**	**-2,908**	**-2,113**	**7,289**	**3,255**	**7,121**	**153**	**-13,893**	**-1**
CUMULATIVE GAP	**---**	**-26,689**	**-29,598**	**-31,711**	**-24,422**	**-21,167**	**-14,046**	**-13,893**	**---**	**---**

Note: Values net of impairment.

There is intraday monitoring of the liquidity position and daily liquidity reports are produced by the Financial Department, which prospectively applies a conservative scenario for the changes in liquidity. The daily liquidity report addresses 4 liquidity change scenarios, including the release of term deposits and the withdrawal of demand deposits.

In addition, the Financial Department monitors the balance of BBI's account with Bank of Portugal in real time, through direct access to the system. Control of the balances of other accounts (including Clearstream or those with other credit institutions) is carried out by the Operational Support Unit (which is part of the Operations, Systems and Human Resources Department), which sends them to the Financial Department daily.

This is also daily monitoring of deposit concentration (demand and term) levels, as well as the balance of the accounts of clients with greater exposure to BBI.

41.2 Capital Ratios

At 31 December 2016, the common equity Tier 1 (CET 1) capital calculated in accordance with the applicable CRD IV / CRR rules in 2016 amounted to 23 million euros, corresponding to a CET 1 ratio of 22.1%. The improvement of the Common Equity Tier 1 ratio towards June 2016 was influenced by the 28% reduction in risk-weighted assets and the increase in CET 1, following the conversion of 11.8 million euros of Oitante's supplementary capital (*prestações acessórias de capital*) into share capital (see note 28).

Capital Ratios Evolution

(values expressed in thousand euros)

dec-16

	CRD IV / CRR phased-in 2016
Common Equity Tier 1 capital	23,065
Total Own Funds	24,544
Risk Weighted Assets (RWAs)	104,144
Of which:	
Credit Risk	*78,240*
Market Risk	*2,127*
Operational Risk	*23,777*
CVA	*0*
Common Equity Tier 1 Ratio	22.1%
Solvency Ratio	23.6%
Leverage Ratio	19.6%

Note: The Leverage Ratio is calculated using Tier 1 Capital and Total Assets together with Off-Balance Sheet exposures, not subject to any coefficient weighing as used to calculate Risk-Weighted Assets.
Source: COREP.

BBI uses the standard method for the determination of credit risk-weighted assets, which is the most significant risk accounting for about 75% of risk-weighted assets. Regarding operational risk, the second most relevant (23% of the total) the Bank uses the basic indicator method.

At 31 December 2016, risk-weighted assets amounted to 104 million euros (on a phased-in basis) and accounted for 82.5% of total net assets.

As at 31 December 2016, the Bank was not compliant with the large exposures limit in accordance with article 395 of the Regulation (EU) no. 575/2013, of the European Parliament and of the Council, as of 26 June 2013. The action plan in order to solve this breach, in coordination with the Regulatory

Authority, is being approved under the ongoing negotiations held between the Bank's current shareholder and the prominent-buyer.

42. FAIR VALUE OF THE SECURITIES PORTFOLIO AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments is always estimated, where possible, through reference to active market prices. A market is deemed active and liquid when it is used by equally knowledgeable counterparts and transactions are carried out in a regular manner. For those financial instruments for which there is no active market, due to a lack of liquidity or of regular transactions, valuation methods and techniques are employed to determine the fair value. The financial instruments were classified into levels according to the hierarchy stipulated in IFRS 13.

Financial instruments carried on the balance sheet at fair value

As at 31 December 2016 and 2015, this item breaks down as follows:

	Valuation Techniques			
2016	**Market Value or Market Price**	**Market Analysis**	**Others**	**Total**
Assets				
Financial assets held for trading	10,441	-	-	10,441
Financial assets available for sale	9,499	-	15,570	25,069
Other financial assets at fair value through profit or loss	6,338	-	21,962	28,300
Liabilities				
Financial liabilities held for trading	-	-	-	-

	Valuation Techniques			
2015	**Market Value or Market Price**	**Market Analysis**	**Others**	**Total**
Assets				
Financial assets held for trading	2,542	2	-	2,544
Financial assets available for sale	16,239	-	15,568	31,807
Other financial assets at fair value through profit or loss	8,489	-	28,672	37,161
Liabilities				
Financial liabilities held for trading	-	944	-	944

The analysis in the table above is based on the following assumptions:

1) Market values (Level 1): financial instruments valued on the basis of active market prices were placed in this column;
2) Market analysis (Level 2): financial instruments valued on the basis of internal models using observable market inputs were placed in this column;
3) Others (Level 3): financial instruments valued on the basis of non-observable market variables were placed in this column. This level includes bonds and units in investment funds.

No changes have been made to the valuation criteria, as used in 2016, with regard to financial assets that are classified under the market analysis valuation technique.

In the in-house models for the valuation of financial instruments for trading and at fair value through profit or loss, market interest rates are calculated on the basis of information published by Bloomberg. For maturities of up to one year they are indexed to the interbank money market rates, while, for longer maturities, they are indexed to prices for interest rate swaps. The interest rate curve thus obtained is further adjusted against the values of short-term interest rate futures. Interest rates for specific maturities are determined using interpolation methods. The same interest rate curves are also used for forecasting non-deterministic cash flows, such as reference rates.

The interest rates used to calculate the interest rate curve with reference to 31 December 2016 and 2015, for the euro and the USD, are as follows:

	EUR		USD	
Maturity	2016	2015	2016	2015
1 day	-0.320%	-0.127%	0.412%	0.275%
7 days	-0.351%	-0.249%	0.439%	0.390%
15 days	-0.346%	-0.236%	-	-
1 month	-0.338%	-0.205%	0.496%	0.430%
2 months	-0.299%	-0.165%	0.598%	0.515%
3 months	-0.265%	-0.131%	0.744%	0.613%
6 months	-0.165%	-0.040%	1.058%	0.846%
9 months	-0.098%	0.004%	-	-
1 year	-0.035%	0.060%	1.376%	1.178%
2 years	-0.174%	-0.029%	0.990%	1.158%
3 years	-0.141%	0.063%	1.104%	1.397%
4 years	-0.081%	0.196%	1.208%	1.569%
5 years	0.000%	0.331%	1.304%	1.711%
6 years	0.098%	0.479%	1.396%	1.831%
7 years	0.206%	0.620%	1.480%	1.935%
8 years	0.318%	0.757%	1.555%	2.023%
9 years	0.426%	0.886%	1.622%	2.099%
10 years	0.523%	1.001%	1.682%	2.167%
20 years	1.003%	1.546%	2.001%	2.507%
30 years	1.045%	1.613%	2.080%	2.594%

Financial instruments at cost or amortised cost

As at 31 December 2016 and 2015, this item breaks down as follows:

2016	Balance Sheet Value	Fair Value
Cash and balances at central banks	31,827	31,827
Balances at other credit institutions	2,945	2,945
Loans and advances to customers and other receivables	421	421
Applications with credit institutions	200	200
Other assets	8,149	8,149
Resources from other credit institutions	3,075	3,075
Resources from customers and other loans	83,759	83,759
Other subordinated liabilities	2,180	550
Other liabilities	4,574	4,574

2015	Balance Sheet Value	Fair Value
Cash and balances at central banks	15,763	15,763
Balances at other credit institutions	8,431	8,431
Loans and advances to customers and other receivables	9,300	9,300
Applications with credit institutions	-	-
Other assets	13,416	13,416
Resources from other credit institutions	13,155	13,155
Resources from customers and other loans	59,808	59,808
Other subordinated liabilities	2,181	550
Other liabilities	8,777	8,777

For financial instruments carried on the balance sheet at amortised cost, the Bank calculates the respective fair value using valuation techniques. The fair value given here may not equate to the realised value of these financial instruments in a sales or liquidation scenario and have not been determined with this objective in mind.

The valuation techniques used by the Bank seek to make use of the market conditions applicable to similar operations at the reference date for the financial statements, namely the value of the respective cash flows, discounted using the interest rates deemed most appropriate.

For variable yield short-term loans not in default, the balance sheet value is deemed to be the best approximation of fair value.

43. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are analysed in accordance with the criteria applicable to similar third-party operations and are conducted under normal market conditions. These operations are subject to the approval of the Board of Directors.

	2016	2015	2016	2015
	Key Management Elements		Shareholders	
Resources from customers and other loans	-	-	34,748	34,764
Other liabilities	-	-	14	-
Income from equity instruments	-	-	-	-
Income from services and commissions	-	-	427	1,126
Personnel costs	316	473	-	-

The related parties are the following:

Key Members of Management:

Carla Sofia Pereira Dias Rebelo

António Manuel Gouveia Ribeiro Henriques

Bernardo Maya Múrias Afonso

Group Entities

Banif Imobiliária
Vegas Altas

Banca Pueyo
WIL
BIAM
Banif Gestão Activos
Banif Capital
Banif Multi Fund
MC02
Pabyfundo
Banif US Real Estate
Art Invest
Imogest
Banif Renda Habitação
Banif Gestão Imobiliária
Gestarquipark
Banif Real Estate Polska
Tiner Polska
Imopredial
Pedidos Liz
Banif Property
Turirent
Porto Novo
GCC Lisboa
Aplicação Urbana XIII
Aplicação Urbana XIV
Citation
Banif Portugal Crescimento

44. EVENTS AFTER THE BALANCE SHEETDATE

As at the date of approval of these financial statements by the Group's Board of Directors, there had been no events subsequent to 31 December 2016, the reference date for the Financial Statements, which would require adjustments or modifications to the figures carried for assets or liabilities, under the terms of IAS 10 – Events after the balance sheet.

On 20 December 2015, the resolution measure decided on by Bank of Portugal was applied to Banif – Banco Internacional do Funchal, SA. This resulted in the ownership of the share capital of Banif - Banco de Investimento SA being transferred to an asset management vehicle named Oitante, SA, whose share capital is held by the Resolution Fund.

In these particularly difficult circumstances, defined by the materially relevant consequences of the resolution measure for the BBI Group's business activity, given the strong links between BBI Group companies and Banif - Banco Internacional do Funchal, SA, in terms of business opportunities, shared operational services and also liquidity and capital, the new BBI Board of Directors, appointed in February 2016, began its term of office with a number of very precise objectives in mind and with the full cooperation of Oitante, SA. The objectives revolved around stabilising the Bank's business activities, to ensure that it was in a fit state to pass into the hands of the new shareholder and so that a new strategic direction could be taken, one that would lead to the restructuring of the Bank's balance sheet, the sale of non-strategic assets and the start of the process of selling the Bank.

Throughout 2016, there was a specific focus on making BBI operationally independent of the corporate structure and central services of its current shareholder, Oitante, SA.

The sale of BBI was completed on 11 August 2016, following the announcement by Oitante, SA of the share and shareholder credit purchase and sale agreement that had been agreed with Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Capital"), for the purposes of selling Oitante's holding in the Bank. The conclusion of this process is dependent on the consent of the regulatory bodies.

The current management team is firmly convinced that once the requisite authorisations for the sale of BBI to Bison Capital have been obtained from the regulator, the Bank can become an innovative player in a banking market that is undergoing significant transformation.

INDIVIDUAL FINANCIAL STATEMENTS

BANIF - BANCO DE INVESTIMENTO, S.A.

BALANCE SHEET STATEMENT

AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

(Amounts expressed in thousand euros)

		31/12/2016			31-12-2015 Restated	01-01-2015 Restated
	Notes	Gross Value	Provisions, Impairment and Depreciation	Net Value	Net Value	Net Value
Cash and deposits at central banks	4	31,827	-	31,827	15,763	449
Balances at other credit institutions	5	2,743	-	2,743	7,987	26,587
Financial assets held for trading	6	10,441	-	10,441	1,856	38,420
Other financial assets at fair value through profit or loss	7	34,713	-	34,713	44,751	57,045
Financial assets available for sale	8,22	36,805	(10,947)	25,858	29,861	30,632
Applications with credit institutions	9	200	-	200	-	13,040
Loans and advances to customers	10,22	7,451	(6,233)	1,218	10,326	94,340
Non-current assets held for sale	11,22	14,070	(5,491)	8,579	4,481	4,478
Other tangible assets	12	3,290	(2,911)	379	538	497
Intangible assets	13	8,177	(7,063)	1,114	1,733	2,071
Investments in subsidiaries, associates and joint ventures	14.22	-	-	-	8,749	10,003
Current tax assets	15	200	-	200	-	-
Deferred tax assets	16	313	-	313	755	17,696
Other assets	17,22	7,860	(878)	6,982	15,415	37,002
Total Assets		**158,090**	**(33,523)**	**124,567**	**142,215**	**332,260**
Deposits from Central Banks	18			-	12,500	-
Financial Liabilities held for trading	19			-	944	20,830
Deposits from other credit institutions	20			3,075	13,155	119,533
Deposits from customers and other loans	21			90,292	78,190	143,276
Provisions	22			3,443	3,179	117
Current tax liabilities	15			101	10	39
Deferred tax liabilities	16			-	-	28
Other subordinated liabilities	23			2,180	2,181	17,182
Other liabilities	24			3,289	4,077	5,618
Total Liabilities				**102,380**	**114,235**	**306,623**
Share Capital	25			126,198	114,440	85,000
Other equity instruments	25			-	11,758	-
Revaluation reserves	25			753	755	82
Other reserves and retained earnings	25			(98,973)	(59,445)	(31,101)
Net Profit / (Loss) for the year	25			(5,791)	(39,528)	(28,344)
Total Equity				**22,187**	**27,980**	**25,637**
Total Liabilities and Equity				**124,567**	**142,215**	**332,260**

The Certified Accountant **The Board of Directors**

BANIF - BANCO DE INVESTIMENTO, S.A.

INCOME STATEMENT

AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

(Amounts expressed in thousand euros)

	Notes	31/12/2016	31-12-2015 Restated
Interest and similar income	26	427	4,682
Interest expense and similar charges	26	(931)	(3,872)
Net Interest Income		(504)	810
Income from equity instruments	27	458	347
Commissions and fees income	28	4,490	6,670
Comissions and fees expenses	28	(365)	(522)
Income from assets and liabilities valued at fair value through profit or loss	29	(5,521)	(13,500)
Income from financial assets available for sale	29	(1,110)	(10)
Income from currency revaluation	29	59	129
Other operating income	30	240	(536)
Net Operating Income		(2,253)	(6,612)
Personnel expenses	31	(2,422)	(2,634)
Overheads	32	(2,880)	(2,457)
Depreciation and Amortisation	12,13	(619)	(670)
Provisions net of refunds and write-offs	22	(335)	(3,063)
Impairment of customer loans net of reversals and recoveries	22	(338)	(4,406)
Impairment of other financial assets net of reversals and recoveries	22	649	(2,160)
Impairment of other assets net of reversals and recoveries	22	(415)	(297)
Profit/ (Loss) before taxes		(8,613)	(22,300)
Income Taxes			
Current	15	(301)	(537)
Deferred	16	-	(16,941)
Net Profit / (Loss) after taxes		(8,914)	(39,778)
Profit / (Loss) from discontinued operations	33	3,123	250
Net Profit / (Loss) for the year		(5,791)	(39,528)
Average weighted number per ordinary share issued	34	22,920,215	17,016,132
Earnings per share (Euro per share)	34	(0.25)	(2.32)

The Certified Accountant **The Board of Directors**

BANIF - BANCO DE INVESTIMENTO, S.A.

COMPREHENSIVE INCOME STATEMENT

AS AT 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousand euros)

	Notes	31/12/2016	31-12-2015 Restated
Net Profit / (Loss) for the year		(5,791)	(39,528)
Items that may be reclassified to profit or loss			
Gains / (losses) at fair value from financial assets available for sale	25	(2)	646
Deferred income taxes	16	-	28
Total Comprehensive Income, net of tax		(5,793)	(38,854)

The Certified Accountant The Board of Directors

BANIF - BANCO DE INVESTIMENTO, S.A.

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2016 AND 2015

(Amount expressed in thousand euros)

	Notes	Equity	Other Equity Instruments	Revaluation reserves (net of deferred taxes)	Other reserves and retained earnings	Net Profit / (Loss) for the Year	Total Equity
Balances at 31.12.2014		85,000	-	82	(31,101)	(28,344)	25,637
Share capital increase		29,440	-	-	-	-	29,440
Supplementary capital contributions ("prestações acessórias")		-	11,758	-	-	-	11,758
Application of net profit/loss from the previous year							
Transfer to reserves and retained earnings		-	-	-	(28,344)	28,344	-
Comprehensive Income		-	-	673	-	(39,528)	(38,854)
Balances at 31.12.2015	25	114,440	11,758	755	(59,445)	(39,528)	27,980
Share capital increase		-	-	-	-	-	-
Supplementary capital contributions ("prestações acessórias")		11,758	(11,758)	-	-	-	-
Application of net profit/loss from the previous year							
Transfer to reserves		-	-	-	(39,528)	39,528	
Comprehensive Income		-	-	(2)	-	(5,791)	(5,793)
Balances at 31.12.2016	25	126,198	-	753	(98,973)	(5,791)	22,187

The Certified Accountant **The Board of Directors**

BANIF - BANCO DE INVESTIMENTO, S.A.

CASH FLOWS STATEMENT

AS AT 31 DECEMBER 2016 AND 2015

(Amount expressed in thousand Euros)

	31/12/2016	31/12/2015
OPERATING ACTIVITY		
Operating Results:		
Net profit/loss for the year	(5,791)	(39,528)
Impairments related to loans and advances to customers	338	4,844
Impairment losses on financial assets and other assets	2,797	4,163
Provisions for the year	453	2,625
Depreciations for the year	619	670
Tax appropriation for the year	301	17,478
Derivatives (net)	(455)	2,539
Recognised Dividends	(2,704)	(2,302)
Others	56	223
	(4,386)	(9,288)
Changes to Operating Assets and Liabilities:		
Changes to Operating Assets and Liabilities:		
(Increase)/Decrease in Financial Assets held for trading	(8,617)	14,262
(Increase)/Decrease in financial assets at fair value through profit or loss	10,038	12,294
(Increase)/Decrease in financial assets available for sale	4,649	(1,427)
(Increase)/Decrease in Applications in Other Credit Institutions	(200)	13,040
(Increase)/Decrease in Loans to Customers	8,888	81,530
(Increase)/Decrease in non-current assets held for sale	(8,172)	(3)
(Increase)/Decrease in Other assets	7,756	39,374
Increase/(Decrease) in financial liabilities held for trading	(488)	(123)
Increase/(Decrease) in central banks	(12,500)	12,500
Increase/(Decrease) in deposits from other credit institutions	(10,069)	(94,620)
Increase/(Decrease) in customer deposits and other loans	12,094	(65,086)
Increase/(Decrease) in other liabilities	(762)	(866)
Income taxes	32	(57)
	2,649	10,818
Operating Cash Flows	(1,737)	1,530
INVESTING ACTIVITY		
Disposal of subsidiaries and associated companies	9,718	-
Acquisition of Tangible Assets	-	(173)
Disposal of Tangible Assets	38	-
Acquisition of Intangible Assets	-	(200)
Disposal of Intangible Assets	122	
Dividends received	2,704	2,302
Cash flows from investing activity	**12,582**	**1,929**
FINANCING ACTIVITY		
Increase in share capital	11,758	29,440
Reimbursement of other equity instruments	(11,758)	-
Reimbursement of subordinated debt	-	(15,001)
Interest paid on subordinated debt	(25)	(223)
Cash flows from financing activity	**(25)**	**14,216**
TOTAL	**10,820**	**17,675**
NET CHANGES IN CASH AND EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	23,750	6,075
Cash and cash equivalents at the end of the period	34,570	23,750
	10,820	**17,675**
Balance sheet value of cash and cash equivalent items, as at 31 December		
Cash	2	2
On-demand deposits at Central Banks	31,825	15,761
On-demand deposits at Other Credit Institutions	2,743	7,987
	34,570	**23,750**

The Certified Accountant **The Board of Directors**

(Amounts expressed in thousand euros, unless stated otherwise)

1. GENERAL INFORMATION

Banif – Banco de Investimento, SA ("Bank" or "BBI") resulted from the demerger, on 15 December 2000, of Ascor Dealer – Sociedade Financeira de Corretagem, SA. The demerger also led to the setting up of a new brokerage firm known as Banif Ascor – Sociedade Corretora, SA. Most of the Banif Group's holdings in those companies whose main business purpose was investment banking were transferred to this new Bank on the same date.

Oitante, SA owns 100% of the shares in the Bank.

As part of the resolution of Banif – Banco Internacional do Funchal, SA, the holding in Banif - Banco de Investimento, SA was transferred to Oitante, SA, as per Annex 2 of the resolution of the Board of Directors of Bank of Portugal taken on 20 December 2015.

The Bank's registered office is at Avenida José Malhoa, nº 22, in Lisbon, Portugal.

On 07 April 2017, the Bank's Board of Directors reviewed and approved the Balance Sheet and Income Statement as at 31 December 2016. It also gave its general approval to the Management Report, which, together with the Financial Statements, shall be submitted to the Annual General Meeting of Shareholders for approval.

2. SUMMARY OF THE MAIN ACCOUNTING POLICIES

2.1 Basis of presentation of accounts

The company's individual financial statements were prepared in accordance with the accounting policies established in Bank of Portugal Notice no. 5/2015, which took effect as of 1 January 2016. The notice instructs all entities under the Central Bank's supervision to prepare their financial statements on an individual and consolidated basis using the International Financial Reporting Standards (IAS/IFRS), as adopted, at any given time, by European Union regulations. In preparing and presenting their financial statements, such entities are to comply with the conceptual framework embedded in these standards. Thus, and as of 1 January 2016, the Bank's individual financial statements were prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) adopted by the European Union, rather than the Adjusted Accounting Standards established by Bank of Portugal.

Up to and including 31 December 2015, the Bank's individual financial statements had been prepared in accordance with the Adjusted Accounting Standards ("NCA" - *Normas de Contabilidade Ajustadas*) established by Bank of Portugal in its Notice no. 1/2005, of 21 February, and its Instruction no. 9/2005, of 11 March, in exercise of the powers invested in it by no. 1 of article 115 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*).

The application of Bank of Portugal's Notice no. 5/2015 had no effect at all on the Bank, as its loan impairment as at 31 December 2015 was higher than result of applying the provisions of sub-paragraphs e) and f) of no. 2 of article 3 of Bank of Portugal's Notice no. 1/2005, taken in conjunction with Notice no. 3/95, with the wording given to this by Bank of Portugal's Notice no. 3/2005, and given that this is the amount that has been recognised as impairment.

2.2 Comparative Information

In general, the figures presented are comparable with the figures of the previous year, except for the following situations:

Entry into force of Bank of Portugal's Notice no. 5/2015

As described in note 2.4, namely as to what concerns impairment and corrections of value associated to loans and advances to customers, as of 1 January 2016, the Bank started to prepare its individual financial statements on the basis IAS/IFRS as per Bank of Portugal's Notice no. 5/2015.
In this context, the Bank has proceeded with the restatement of the financial statements of 2015, as to the item "loans provisions" is concerned, calculated up to 31 December 2015 as set by the Bank of Portugal's Notice no. 3/95.

Discontinued Units

The Bank has proceeded with the restatement of the comparative figures of 2015 relating to the classification of the entities Banif Gestão de Activos, Banif Capital, MC02 and Banif International Asset Management as discontinued units, as a result of the Purchase and Sale Agreement signed between the Bank's current shareholder and the Prominent-buyer.

In this context, and in accordance with IFRS 5 - Non-current assets held for sale, the total sum of the assets and liabilities held by the entities referred to in the previous paragraph, as at 31 December 2016, are presented in the "Non-current assets held for sale".

As the holdings in the abovementioned entities have been classified as discontinued units, their contribution to the individual profit/loss (after tax) is presented in a single line entry in the Profit or Loss Statement ("Profit/loss from discontinued operations"). The comparative periods have been restated accordingly.

The details for the "Non-current assets held for sale" are presented in note 11 - Non-current assets held for sale.

These amendments had the following impacts in the balance sheet items and income statement items as at 31 December 2015:

Balance Sheet	Note	Net Value 31-12-2015	Amendment as per IAS 8	Restated Net Value 31-12-2015
Loans and advances to customers	10	10,472	(146)	10,326
Provisions	22	3,325	(146)	3,179
			-	

Income Statement	Note	Net Value 31-12-2015	Amendment as per IAS 8	Amendment of the units classification as discontinued units	Restated Net Value 31-12-2015
Income from equity instruments	27	2,302	-	(1,955)	347
Provisions net of refunds and write-offs	22	(2,625)	(438)	-	(3,063)
Impairment of customer loans net of reversals and recoveries	22	(4,844)	438	-	(4,406)
Impairment of other assets net of reversals and recoveries	22	(2,003)	-	1,705	(297)
Net Profit / (Loss) from discontinued operations	34	-	-	250	250

The entry into force of Bank of Portugal Notice no. 5/2015 had no impact on the Bank's results, since the amount of credit impairment as at 31 December 2015 was higher than the regulatory provisions defined by the Bank of Portugal. This restatement represents only reclassifications on the balance sheet and on the Bank's income statement.

2.3 New standards and interpretations applicable in 2016 reporting period

IFRS Disclosures - New standards as at 31 December 2016:

1. Impact of the adoption of the amendments to the standards that came into effect on 1 January 2016

Standards

a) IAS 1 (amendment), 'Revision of disclosures'. The amendment involves instructions on materiality and aggregation, the presentation of subtotals, the structure of the financial statements, the disclosure of accounting policies and the presentation of items under 'Other comprehensive income generated by investments measured using the equity method'.

b) IAS 16 and IAS 38 (amendment), 'Permitted methods for calculating amortisation and depreciation'. This amendment clarifies that the use of methods for calculating depreciations/amortisations of assets that are based on revenue earned is not, as a rule, considered suitable for measuring the pattern of consumption of the economic benefits associated with the asset. The amendment is applied prospectively.

c) IAS 16 and IAS 41 (amendment) 'Agriculture: bearer plants'. This amendment defines the concept of a bearer plant and removes this type of asset from the application scope of IAS 41 - 'Agriculture' and places it under IAS 16 - 'Tangible assets', with a consequent impact on measurement. However, the biological assets produced by these plants remain under the scope of IAS 41 – Agriculture.

d) IAS 19 (amendment), 'Defined benefit plans – Employee contributions'. The amendment to IAS 19 applies to employee or third party contributions to defined benefits plans. It aims to simplify the accounting procedures for these, when the contributions are not associated with the number of years of service.

e) IAS 27 (amendment), 'Equity method in separate financial statements'. This amendment allows an entity to apply the equity method to the measurement of investments in subsidiaries, joint ventures and associates, in the separate financial statements. This amendment is applied retrospectively.

f) Amendments to IFRS 10, 12 and IAS 28, 'Investment entities: applying the consolidation exemption'. This amendment clarifies that the exemption from the obligation to consolidate an 'Investment Entity' applies to an intermediate holding which is a subsidiary of an investment entity. Additionally, the policy choice to apply the equity method, under IAS 28, is extended to an entity that is not an investment entity but does have an interest in an associate or joint venture which is an "Investment Entity".

g) IFRS 11 (amendment), 'Reporting of the acquisition of an interest in a joint operation'. This amendment introduces guidelines for the reporting of the acquisition of an interest in a joint operation that constitutes a business, as defined in IFRS 3 - business combinations.

h) Improvements to the 2010-2012 standards. This improvement cycle affects the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and 38 and IAS 24.

i) Improvements to the 2012-2014 standards. This improvement cycle affects the following standards: IFRS 5, IFRS 7, IAS 19, and IAS 34.

The amendments to the above mentioned standards did not have significant impact on the presented financial statements.

2. Published standards with mandatory application for annual reporting periods that begin on or after 1 January 2017 that the European Union has already endorsed:

a) IFRS 9 (new), 'Financial instruments' (to be applied in reporting periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition.

The Bank is still assessing the impact of this standard.

b) IFRS 15 (new), 'Revenue from contracts with clients' (to be applied in reporting periods beginning on or after 1 January 2018). This new standard is only applicable to contracts for the delivery of products or service provision. It requires the entity to recognise the revenue when the contractual obligation to deliver assets or provide services is satisfied, and for the amount that reflects the counterpart to which the entity is entitled. Such recognition should use the "5-stage methodology".

Although the Bank is still analysing the impacts to these standards, no significant impacts to its financial statements are to be expected.

3. Published standards (new and amendments) and interpretations with mandatory application for annual reporting periods that begin on or after 1 January 2017 that the European Union has not yet endorsed:

3.1 - Standards

a) IAS 7 (amendment), 'Revision of disclosures' (to be applied in reporting periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment introduces an additional disclosure regarding changes to funding liabilities. These are to be broken down into transactions that resulted in cash flows and those that did not. The way in which this information is reconciled with the cash flows for funding activities on the Cash Flow Statement is also to be disclosed.

b) IAS 12 (amendment), 'Tax on earnings - Recognition of deferred tax assets for unrealised losses (to be applied in reporting periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment clarifies the way in which deferred tax assets relating to assets measured at fair value should be recognised in the accounts, how to estimate future taxable profits when there are temporary deductible differences and how to assess the recoverability of deferred tax assets when restrictions are imposed on these by tax law.

c) IAS 40 (amendment) 'Transfer of investment properties' (to be applied in reporting periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies that assets can only be transferred to and from the category of investment properties when there is evidence of change of use. A mere change in management intention is not sufficient to warrant the transfer.

d) IFRS 2 (amendment), 'Classification and measurement of share-based payment transactions' (applicable to reporting periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the basis of measurement for cash-settled share-based payment transactions and the accounting of modifications to a share-based payment plan that change its classification from cash-settled to equity-settled. In addition to this, it introduces an exception to the principles of IFRS 2, which will now require that a share-based payment plan be treated as if it were entirely equity-settled, when the employer is obliged to withhold tax from the employee and pay this amount to the tax authority.

e) IFRS 4 (amendment), 'Insurance contracts (application of IFRS 4 with IFRS 9)' (applicable to reporting periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment allows entities issuing insurance contracts the option of recognising the volatility that could arise when IFRS 9 is applied in other comprehensive income rather than in the profit or loss, until the new insurance contracts standard is issued. Furthermore, entities whose main business activity is insurance are given a temporary exemption from applying IFRS 9 until 2021. This exemption is optional and does not apply to consolidated financial statements that include an insurance entity.

f) Changes in IFRS 15, 'Revenue from contracts with clients' (to be applied in reporting periods beginning on or after 1 January 2018). These amendments are still subject to endorsement by the European Union. These amendments refer to the additional instructions to be followed for the purposes of determining the performance obligations of a contract, at the time of recognition of the revenue inflow from an intellectual property licence. They also refer to the revision of the instructions for the classification of the principal versus agent relationship and to the new schemes designed to simplify the transition.

g) IFRS 16 (new), 'Leases' (to be applied in reporting periods beginning on or after 1 January 2019). This standard is still subject to endorsement by the European Union. This new standard replaces IAS 17. It will have a significant impact on accounts reporting for lessees, as these are now obliged to recognise a leasing liability that reflects future lease payments and a “right of use” asset for all leasing contracts, except for certain short-term leases and low-value assets. The definition of a leasing contract has also been amended and is now based on the “right to control the use of a specific asset”.

h) Improvements to the 2014-2014 standards (to be applied, in general, in reporting periods beginning on or after 1 January 2017). This cycle of improvement is still subject to endorsement by the European Union. This improvement cycle affects the following standards: IFRS 1, IFRS 12, and IAS 28.

3.2 - Interpretations

IFRIC 22 (new), 'Foreign currency operations and advance consideration' (to be applied in reporting periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 21 - ‘The effects of changes in exchange rates’ and relates to the determination of the “transaction date”, when an entity pays or receives and advance consideration on contracts expressed in a foreign currency. The “transaction date” determines the exchange rate used to convert foreign currency transactions.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to its financial statements are to be expected.

Summary table of new standards:

Description	Amendment	Effective Date
1. Amendments to standards effective as of 1 January 2016		
• IAS 1 - Presentation of financial statements	Revision of the disclosures under the IASB's "Disclosure Initiative" project.	1 January 2016
• IAS 16 and IAS 38 – Methods for calculating amortisation/ depreciation	Depreciation/ amortisation methods based on revenue are not permitted.	1 January 2016
• IAS 16 and IAS 41 – Agriculture: Bearer plants	Bearer plants that only produce biological assets for consumption fall within the scope of IAS 16 and are measured using the cost model or the revaluation model.	1 January 2016
• IAS 19 – Defined benefit plans	Accounting of the contributions made by employees and other entities	1 February 2015
• IAS 27 – Separate financial statements	Option to apply the equity method in separate financial statements, to measure investments in subsidiaries, joint ventures and associates.	1 January 2016
• Amendments to IFRS 10, 12 and IAS 28: Investment entities - application of the consolidation exemption	Consolidation exemption applied to investment entities, extendible to a parent company that does not qualify as an investment entity but which is a subsidiary of an investment entity.	1 January 2016
• IFRS 11 - Joint arrangements	Accounting of the acquisition of an interest in a joint operation when the operation constitutes a business	1 January 2016
• Improvements to the 2010-2012 standards	Various clarifications: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24	1 February 2015
• Improvements to the 2012-2014 standards	Various clarifications: IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
2. Standards already endorsed by the EU that come into effect as from 1 January 2017		
• IFRS 9 - Financial instruments	New standard for the accounting of financial instruments	1 January 2018
• IFRS 15 - Revenue from contracts with clients	Recognition of the revenue arising from the delivery of assets and provision of services, through application	1 January 2018

Description	Amendment	Effective Date
	of the 5-step method framework.	
3. Standards (new and amendments) and interpretations that come into effect as from 1 January 2017 but which have not yet been endorsed by the EU		
3.1 - Standards		
• IAS 7 – Cash flow statement	Reconciliation of the changes in funding liabilities with the cash flows for funding activities.	1 January 2017
• IAS 12 - Tax on earnings	Carrying of deferred tax assets for assets measured at fair value, the impact of temporary deductible differences in estimating future taxable profits and restrictions on the ability to recover deferred tax assets.	1 January 2017
• IAS 40 - Investment properties	Clarification that evidence of change of use is required if assets are to be transferred to or from the investment properties category.	1 January 2018
• IFRS 2 – Share-based payments	Measurement of cash-settled share-based payment plans, accounting of modifications and the classification of equity-settled share-based payment plans, when the employer is required to withhold taxes.	1 January 2018
• IFRS 4 - Insurance contracts (application of IFRS 4 with IFRS 9)	Temporary exemption for insurers from the application of IFRS 9, in reporting periods beginning before 1 January 2021. Specific scheme for assets that fall within the scope of IFRS 4, where these qualify as financial assets at fair value through profit or loss under IFRS 9 and as financial assets at amortised cost under IAS 39. The measurement difference may be recognised in other comprehensive income.	1 January 2018
• Amendments to IFRS 15 - Revenue from contracts with clients	Identification of the performance obligations, the time of recognition of the revenue from IP licences, revision of the instructions for the classification of the principal versus agent	1 January 2018

Description	Amendment	Effective Date
	relationship and new schemes designed to simplify the transition.	
• IFRS 16 - Leases	New definition of leasing. New accounting of leasing contracts by lessees. There are no changes to the accounting of leases by lessors.	1 January 2019
• Improvements to the 2014-2016 standards	Various clarifications: IFRS 1, IFRS 12 and IAS 28	1 January 2017 / 1 January 2018
3.2 - Interpretations		
• IFRIC 22 – Foreign currency transactions and advance consideration	Exchange rate to apply when the consideration is received or paid in advance.	1 January 2018

2.4 Use of estimates in preparing the Financial Statements

The preparation of the financial statements requires the Bank's Management to produce estimates and adopt assumptions that affect the disclosed value of assets and liabilities, revenue and costs and the contingent liabilities. In making these estimates, the Management used its judgement, together with the information available on the date the financial statements are prepared. Consequently, the future amounts actually realised may differ from the estimates made.

The use of such estimates is more significant in the following situations:

Going concern principle

The financial statements were prepared on the going-concern basis, as the Bank's Management believes that it has the means and capacity to continue doing business in the foreseeable future. In making this judgement, the Bank's Management took into consideration the information it has on current conditions and forecasts of future profitability, cash flow and equity, as described in point 05 of the management report – Outlook.

Fair value of financial instruments

Where the fair value of a financial instrument cannot be determined by means of active market prices (marked to market), it is ascertained using valuation techniques that include mathematical models (marked to model). Input data for these models are, wherever possible, observable market data. Where this is not possible, a degree of judgement is required to establish fair value, particularly as regards liquidity, correlation and volatility.

Impairment and value corrections associated with loans to clients

Bank of Portugal's Notice no. 5/2015, of 7 December, which took effect as of 1 January 2016, instructs all entities under its supervision to prepare their financial statements on an individual and consolidated basis in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted, at any given time, by European Union regulations. In preparing and presenting their financial statements, such entities are to comply with the conceptual framework embedded in these standards. Thus, and as of 1 January 2016, the Bank's individual financial statements were prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) adopted by the European Union. The Bank has been using these standards for the preparation and presentation of its consolidated financial statements since 2005. Up to and including 31 December 2015, the Bank's individual financial statements had been prepared in accordance with the Adjusted Accounting Standards ("NCA" - *Normas de Contabilidade Ajustadas*) issued by Bank of Portugal. When Bank of Portugal's Notice no. 5/2015 came into effect, Bank of Portugal' Notices no. 1/2005, of 21 February, and no. 3/95, of 30 June, were revoked.

Following this change, the loan portfolio, guarantees given and other similar operations portfolio became subject to the constitution of impairment losses, calculated in accordance with IAS 39 requirements, rather than the specific risk, general credit risk and country risk provisions established in Bank of Portugal's Notice no. 3/95, of 30 June. The Bank had already been preparing a monthly comparison of the specific and general credit risk provisions in its loan and guarantees given portfolio, calculated in accordance with Bank of Portugal's Notice no. 3/95, of 30 June, and the respective impairment losses, calculated under IAS 39. Whenever the impairment losses calculated under IAS 39 were higher than the minimum regulatory provisions stipulated in Bank of Portugal's Notice no. 3/95, as was the case as at 31 December 2015, the Bank recognised the difference in its individual financial statements.

Impairment in equity instruments

Financial assets available for sale are carried in impairments when there is a significant and prolonged decline in fair values, below the cost price, or when there is other objective evidence of impairment. Determining the degree of decline that may be considered "significant and prolonged" involves making certain judgements. Thus, the Bank has determined that a significant and prolonged decline in the fair value of a capital instrument occurs when:

- the fair value decreases by 30% or more or,
- the fair value decreases over a period in excess of 1 year

Other factors, such as volatility of the asset price, are also taken into consideration.

Impairment in subsidiaries and associates

Investments in subsidiaries and associates are reported at acquisition cost, less any impairment losses. The Bank periodically assesses for any objective evidence of impairment, using an updated valuation of these companies or the value of its adjusted equity in accordance with the IAS/IFRS standards.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, to the extent that it is likely that there will be positive tax results in the legally established future period. To this end, judgements are made to determine the amount that may be recognised for deferred tax assets. These are based on the level of future tax results expected as a function of the economic and financial forecasts that have been made at a time of uncertainty as regards the assumption used. If these estimates are not borne out, there is a risk that material adjustments might have to be made to the deferred tax assets in future reporting periods.

Assessment of real estate assets

The assessment service is provided by external independent companies, registered with the CMVM and with the appropriate qualifications, recognised competence and professional experience to perform their duties. Their reports comply with the requirements laid down by CMVM, Bank of Portugal and the Insurance Companies Regulator ("ASF" – *Autoridade de Supervisão de Seguros e Fundos de Pensões*), as well as criteria defined by European Accounting Standardization and the guidelines of international institutions, such as RICS and TEGoVA.

The assessment procedures require the compilation of a comprehensive dossier of information, which may be based on updated documentation, an inspection of the property and its surrounding area, information from local authorities and other bodies, market analysis, transactions, the supply and demand situation or the development outlook. Base values for calculations, the application of methodologies and the comparison of these are all based on the processing of this information, which includes areas, usages and market prices.

The comparative market method is always used, either directly or as a basis for development cash flows, updated at the valuation date at rates that incorporate the project risk. The replacement cost method is also used directly in the valuation of properties in continuous use and makes an essential contribution in these development scenarios.

All the reports are analysed and validated by the internal technical team. The valuations of these assets, last carried out in December 2016, reflect current market conditions.

The realisation value of these assets depends on the future trend of real estate market conditions.

The real estate assets reported in non-current assets held for sale are presented in note 11.

Valuation of discontinued units

Discontinued units, carried in non-current assets held for sale (see note 2.9), are measured at the lower of the net book value and the fair value less costs of disposal.

2.5 Transaction in foreign currencies

Foreign currency transactions are recorded on the basis of the exchange rates contracted on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into euros at the exchange rate prevailing on the balance sheet date. Non-monetary items valued at fair value are converted on the basis of the prevailing exchange rate on the last valuation date. Non-monetary items kept at historical cost are reported at the original exchange rate.

Foreign currency exchange differences resulting from the conversion are recognised as gains or losses for the period in the income statement, except for those resulting from non-monetary financial instruments classified as available for sale. These latter are counter-entered in a specific equity item until the asset is disposed of.

2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include Portuguese and foreign currency in cash, on-demand deposits at central banks, on-demand deposits with other banks in Portugal and abroad and cheques for collection at other banks.

2.7 Investments in subsidiaries and associates

The 'Investments in subsidiaries and associates' item corresponds to the long-term capital holdings of the Bank in other companies, through which it, owns or controls the majority of voting rights (subsidiaries) or exercises significant influence (associates). Significant influence is considered to exist wherever the Bank directly or indirectly holds more than 20% of voting rights. Investments in subsidiaries and associates are recorded at acquisition cost, minus any impairment losses.

Investments in subsidiaries considered discontinued units are classified as Non-Current Assets Held for Sale and measured in accordance with the accounting policy explained in note 2.9.

2.8 Financial instruments

2.8.1 Initial recognition and measurement of financial instruments

The purchase and sale of financial assets in which the assets are delivered in accordance with deadlines set by regulations or market conventions are recognised at the trade date, i.e., at the date on which the commitment to purchase or sell is made. Derivative financial instruments are similarly recognised on the trade date.

The classification of financial instruments on the initial recognition date depends on their characteristics and the purchase intention. All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issue, except in the case of assets and liabilities at fair value through profit or loss, where such costs are recognised directly in results.

2.8.2 Subsequent measurement of financial instruments

Financial assets held for trading

Financial assets and liabilities held for trading are those that have been acquired with an intention to sell in the short term and make profits from fluctuations in the price or through the trader's margin. This includes all derivative financial instruments that are not accounted for as hedging operations.

After initial recognition, the gains and losses generated by subsequent measurement at fair value are recognised in the income statement for the year. In the case of derivatives, positive fair values are recorded in assets and negative fair values in liabilities. Interest and dividends or charges are recorded in the corresponding profit/loss accounts when the right to payment of these has been established.

Financial liabilities held for trading also includes short-selling of securities. These operations are reported in the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year, under the item 'Income from assets and liabilities measured at fair value through profit or loss'.

Financial assets and liabilities at fair value through profit or loss

These items include financial assets and liabilities, irrevocably classified by the Bank on initial recognition at fair value through profit or loss, in accordance with the option available under IAS 39 (fair value option), provided that the conditions for such recognition are met, namely:

i. the recognition eliminates or significantly reduces inconsistencies between the measurement of financial assets and liabilities and the recognition of the corresponding gains or losses (accounting mismatch);

ii. the financial assets and liabilities are part of a group of assets or liabilities, or both, that is managed and the performance of this is assessed on a fair value basis, in accordance with a duly documented investment and risk management strategy; or

iii. the financial instrument incorporates one or more embedded derivatives, except when the embedded derivatives do not significantly modify the contract cash flows, or when it is clear, with little or no analysis, that the embedded derivatives cannot be separated.

After initial recognition, the gains and losses generated by subsequent measurement of the fair value of financial assets and liabilities are reflected in the results for the period in the item 'Profit/loss for assets and liabilities at fair value through profit or loss'.

The Bank classifies almost the entire securities portfolio that is part of its banking activity as financial assets at fair value through profit or loss. Management and assessment of the performance of this portfolio is based on fair value, with the exception of strategic shareholdings and securities for which it is not possible to obtain reliable valuations.

Financial assets available for sale

Instruments that can be disposed of in response to, or in anticipation of, liquidity needs or changes in interest rates, changes in exchange rates or changes in their market price, and that the Bank has not placed in any of the other categories, are classified under this item. Thus, as at 31 December 2016, this item essentially refers to shareholdings that are considered to be strategic and securities for which it is not possible to obtain reliable valuations.

Following initial recognition, these assets are subsequently measured at fair value. Alternatively, acquisition cost is used when it is not possible to reliably determine a fair value. The corresponding gains and losses are entered in the 'Revaluation reserves' item until they are sold (or impairment losses are recognised), at which point the accumulated value is transferred to results for the period in the form of the 'Profit/loss on financial assets available for sale' item.

The interest inherent in financial assets is calculated in accordance with the effective interest method and recognised in the results in the 'Interest and similar income' item. Dividends are recognised in the results when the right to payment is established, in the 'Income from equity instruments' item. For debt instruments issued in foreign currencies, foreign exchange differences are recognised as profit or loss for the year under the 'Profit or loss on foreign exchange revaluation' item.

Financial assets available for sale are analysed when there are objective signs of impairment, namely when there is a significant or prolonged decline in fair value, below their cost price. Determining the degree of decline that may be considered “significant or prolonged” involves making certain judgements. Given this, the Bank believes that a decline in the fair value of an equity instrument of 30% or more, or a decline for over more than one year, may be considered significant or prolonged.

Financial assets held to maturity

Financial assets held to maturity are those financial investments with fixed or determinable payments and fixed maturities that the Bank intends and is able to hold through to maturity.

Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Calculation of this amortised cost takes into account the bonus or discount at the acquisition date and other charges directly imputable to the purchase as part of the effective interest rate. The amortisation is recognised in the income statement under the 'Interest and similar income' item.

Impairment losses are recognised in the income statement under the 'Impairment of other financial assets net of reversals and recoveries' item.

Loans and receivables

These are financial assets with fixed or calculable payments that are not listed on an active market, that have not been acquired or originated for the purposes of selling in the short term (held for trading) or classified as financial assets at fair value through profit or loss on initial recognition.

Usually, these assets are initially recognised at the disbursed value, which includes all transaction-related costs, such as fees, that do not take the form of service provision. They are subsequently measured at amortised cost, using the effective interest rate method, and subjected to impairment tests.

The amortised cost is calculated by taking into account earnings or costs directly imputable to the sourcing of the asset as part of the effective interest rate. Amortisation of these earnings or costs is recognised in the income statement under the 'Interest and similar income' item or the 'Interest and similar costs' item. Impairment losses are recognised in the income statement under the 'Credit impairment net of reversals and recoveries' item.

In this item, the Bank carries securitised loans that are not traded in an active market. If they were traded in an active market, they would be classified as financial assets available for sale.

Funds from other credit institutions, Client deposits and other loans, Debt securities in issue and other subordinated liabilities

These financial liabilities, which essentially consist of funds from credit institutions, client deposits and debt issues not designated as financial liabilities at fair value through profit or loss and whose contractual terms include an obligation to deliver funds or financial assets to the holder, are initially recognised at the value of the consideration received net of direct transaction costs. They are subsequently valued at amortised cost, using the effective interest method. Amortisation is recognised in the income statement under the 'Interest and similar costs' item.

Repos and Reverse repos

Repos are sales of financial assets associated with a repurchase agreement on a future date. The amount received from the sale (funding) has an underlying interest rate (Repo rate). The funding amount is carried in the 'Deposits from other credit institutions' item, at the contract price, which corresponds to the net consideration received. The interest payable is recognised on an accrual basis and carried in the 'Interest and similar charges' item. The counterparty holds the securities as collateral for the funding.

A reverse repo is the purchase of financial assets associated with a repurchase agreement at a future date, for a fixed price or a price equal to the purchase price plus interest for the operation period. Reverse repos are not recognised on the balance sheet. The value of the purchase, carried as 'loans to other financial institutions' or 'loans to clients', as appropriate, and the interest receivable are recognised on an accrual basis and carried in 'Interest and similar charges'.

Fair value of financial assets and liabilities

As stated above, the financial instruments reported as financial assets and liabilities held for trading, at fair value through profit or loss, or as financial assets available for sale are valued at fair value.

Under IFRS 13, the fair value of a financial instrument corresponds to the amount for which a financial asset or liability may be sold or settled between independent and informed parties interested in pursuing the transaction under normal market conditions.

The Bank determines the fair value of its financial assets and liabilities held for trading, at fair value through profit or loss, or available for sale in accordance with the following criteria:

- ✓ Prices on an active market, or
- ✓ Evaluation methods and techniques, when there is no active market, which are underpinned by: (i) valuation techniques which include the prices of recent transactions of equivalent

instruments and (ii) other valuation methods normally used by the market (discounted cash flow, options valuation models, etc.).

Floating rate assets (e.g. shares), and the derivative instruments they underpin, for which it is not possible to obtain reliable valuations are kept at acquisition cost, less any impairment losses.

Derivative financial instruments

As part of its normal business activity, the Bank makes use of a number of derivative financial instruments. It does so to satisfy its clients' needs and also to manage its own interest rate risk positions or other market risks. These instruments involve varying degrees of credit risk (maximum potential book loss due to default by counterparties on their respective contractual obligations) and market risk (maximum potential loss due to change in the value of a financial instrument as a result of interest rate, exchange rate or price fluctuations).

The notional value of derivatives operations are used to calculate the flows to be exchanged in contractual terms, in net terms where applicable. Although these constitute the most common measure of volume in these markets, they do not correspond to any quantification of the credit or market risk of the operations concerned. For interest or exchange rate derivatives, the credit risk is measured by the replacement cost at current market prices, for those contracts in which a position of potential gain is held (positive market value), in the event of the counterparty's default.

Derivatives embedded in other financial instruments are separated from the host instrument whenever their associated risks and characteristics are not too closely related to those of the host contract and the totality of the instrument is not designated on initial recognition as being at fair value through profit or loss (fair value option).

Subsequent measurements of fair value are recognised in profit/loss for the period, as are the measurements of the fair value of the hedged instrument, in the 'Profit/loss on assets and liabilities at fair value through profit or loss' item.

The Bank only holds derivative financial instruments for trading, as these instruments do not meet the requirements for hedging.

2.8.3 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised when:

1. the entitlement to receive cash flows from the asset expires; or

2. the entitlement to receive cash flows has been transferred, or an obligation has been accepted to pay the receivable cash flows in full, with no material delay, to third parties in the context of a pass-through agreement; and
3. the risks and benefits of the assets have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows have been transferred or when a pass-through agreement has been signed, where not all the risks and benefits of the asset have been substantially transferred or retained and control over the asset has not been transferred, the financial asset is recognised to the extent of continued involvement. This is measured at the lesser between the original value of the asset and the maximum value of the payment which could be claimed from the Bank.

When continued involvement takes the form of a purchase option over the transferred asset, the extent of the continued involvement is the value of the asset which may be repurchased, except in the case of a sale option measurable at fair value. For this latter case, the value of the continued involvement is limited to the lower of the fair value of the asset and the price at which the option may be exercised.

Financial liabilities

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty, but on substantially different terms from those initially established or if the initial terms are substantially changed, such replacement or modification is dealt with as a derecognition of the original liability and the recognition of a new liability and any difference between their values is recognised in the income statement.
Financial liabilities held for trading includes short-selling of securities. These operations are reported in the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year under the item 'Income from assets and liabilities measured at fair value through profit or loss'.

2.8.4 Impairment and value corrections associated with credit to clients and amounts receivable from other debtors

Bank of Portugal's Notice no. 5/2015, of 7 December, which took effect as of 1 January 2016, instructs all entities under its supervision to prepare their financial statements on an individual and consolidated basis in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted, at any given time, by European Union regulations. In preparing and presenting their financial statements, such entities are to comply with the conceptual framework embedded in these standards. Thus, and as of 1 January 2016, the Bank's individual financial statements were prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) adopted by the European Union. The Bank has been using these standards for the preparation and presentation of its consolidated financial statements since 2005. Up to and including 31 December 2015, the Bank's individual financial statements had been prepared in accordance with the Adjusted Accounting Standards ("NCA" - *Normas de Contabilidade Ajustadas*)) issued by Bank of Portugal. When Bank of Portugal's Notice no. 5/2015 came into effect, Bank of Portugal' Notices no. 1/2005, of 21 February, and no. 3/95, of 30 June, were revoked.

The Bank assesses whether there is evidence of impairment in a financial asset or group of financial assets, as stipulated in Bank of Portugal's Instruction no. 7/2005. A financial asset is impaired if, and only if, there is evidence that the occurrence of an event (or events) will have a measurable impact on expected future cash flows from that asset or group of assets. Expected losses as a result of future events, irrespective of the likelihood of their occurrence, are not recognised.

Whenever, in a subsequent period, there is a decrease in the impairment losses attributed to an event, the amount previously recognised is reversed by an adjustment of the impairment losses account. The amount of the reversal is recognised directly in the income statement.

2.9 Non-current assets held for sale

Non-current assets are classified as held for sale whenever it is determined that their balance sheet value will be recovered through sale. This condition is met only when such a sale is highly likely and the asset is available for immediate sale in its current condition. The sale should take place within a maximum period of one year following classification in this item. An extension of the period during which the sale must be completed does not exclude an asset (or group of assets) from being classified as held for sale if the delay is caused by events or circumstances outside the Bank's control and the commitment to sell the asset is maintained.

In this item, the Bank recognises properties received in payment of own credit and financial holdings that are due and expected to be sold in the short term (1 year).

The assets recognised in this category are measured at the lower of their acquisition cost and their fair value, determined on the basis of expert independent valuations, less costs incurred in the sale, or at their sale price already agreed with a third party. These assets are not amortised.

Should the assets classified to this category no longer meet the requirements for immediate sale, they are reclassified as 'Investment properties', as to real estate properties is concerned, and they are reclassified as "Investments in subsidiaries and associates' as to financial holdings is concerned.

The principles underpinning the use of estimates are applied to the valuation of real estate properties (see note 2.4).

2.10 Other tangible fixed assets

'Tangible fixed assets' item includes buildings for the Bank's own use, vehicles and other equipment.

Buildings used by the Bank for its own business purposes are classified as own-use buildings. Own-use buildings are valued at historic cost and are re-valued in accordance with the applicable legal provisions, less any subsequent depreciations.

The remaining tangible fixed assets are recorded at cost, less subsequent depreciations and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs when they occur.

Tangible assets are depreciated using the straight-line method, according to their expected useful life, which is:

Property	⟦10 – 50⟧ years
Vehicles	⟦3 - 4⟧ years
Other equipment	⟦2 – 15⟧ years

A tangible asset is derecognised when sold or when no future economic benefits are expected from its use or sale. On the derecognition date, the gain or loss calculated as the difference between the net sale value and the net book value is recognised in the 'Other operating profit/loss' item of the income statement.

2.11 Intangible assets

Intangible assets, which mainly consist of software, are recorded at acquisition cost, less accumulated amortisation and impairment losses. Amortisation is recorded on a linear basis, over the estimated useful lifespan of the assets. This is currently set at between 3 and 8 years.

The Calypso software has an estimated useful life of 8 years.

Intangible assets may include capitalised internal expenses, namely associated with in-house software development. For this purpose, these costs are only capitalised from the point at which the conditions stipulated in standard IAS 38 are met, namely the requirements inherent to the development phase.

2.12 Income Taxes

The expenses or income recognised as income taxes correspond to the sum of current tax on earnings expense or income and deferred tax on earnings expense or income.

Current tax is calculated on the basis of the prevailing tax rate.

The Bank reports as deferred tax liabilities or assets those amounts relating to the recognition of taxes that are payable/recoverable in the future and which result from unrealised tax losses and temporary taxable/deductible differences, particularly those related to provisions, revaluations of securities and derivatives that are only taxable at the time of realisation, the tax regime for pension liabilities and other employee benefits and non-taxable capital gains for reinvestment.

Deferred tax assets and liabilities are calculated and assessed on an annual basis, using the taxation rates expected to be in force at the date of reversal of the temporary differences. In practice, these are the rates approved or substantially approved at the balance sheet date. Deferred tax liabilities are always reported. Deferred tax assets are only recorded to the extent that it is likely that there will be sufficient future taxable income to allow their use.

It should be noted that the Bank met the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits, as provided for in Law no. 61/2014, of 26 August. After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme.

In 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits, maintaining 313 thousand euros in deferred tax assets. The Bank simultaneously set up a special reserve in favour of the State in an amount equivalent to the tax credit plus a margin of 10%, totalling 486 thousand euros (see note 25). The creation of a special reserve required the simultaneous setting up of conversion right attributed to the State.

In this context, BBI decided not to issue any securities until it had received answers to the questions raised and submitted to the competent authorities. These questions pertained to the verification of the compliance of the abovementioned scheme with all legal and procedural requirements

It is to be noted that, although the applicable legislation requires the issue of securities to set up conversion rights in favour of the State, the legislature has not yet given its opinion on the type of security that must be issued for this purpose.

2.13 Provisions and contingent liabilities

A provision is triggered whenever there is a present obligation (legal or constructive) resulting from past events for which future disbursement of resources is likely and this disbursement can be reliably determined. The provision is the Bank's best estimate of the amounts that will have to be disbursed in order to settle the liability at the balance sheet date. If the time effect of the cost of the money is significant, the provisions are discounted using a pre-tax interest rate that reflects the specific risk of the liability. In these cases, the increase in the provision over time is recognised under financial costs.

Where future disbursement of resources is not likely, a contingent liability is recognised. Contingent liabilities are subject only to disclosure, unless the possibility of their being materialised is remote.

2.14 Recognition of income and costs

Income and costs are generally recognised according to the timing of the operations concerned, in accordance with the accrual concept, i.e. they are recorded as they are generated, independently of when they are collected or paid. Income is recognised to the extent that it is likely that the economic benefits associated with the transaction will flow to the Bank and the amount of income can be reliably measured.

For financial instruments measured at amortised cost and for financial instruments classified as 'Financial assets available for sale', interest is recognised using the effective interest method. This is the rate that exactly discounts the set of future cash receipts and payments expected until maturity, or until the next re-pricing date, for the currently recorded net amount of the financial asset or liability. When the effective interest rate is calculated, future cash flows are estimated, taking into account the contractual terms and all other income or costs directly attributable to the contracts.

2.15 Recognition of dividends

Dividends are recognised when the Bank is virtually certain to receive them, insofar as they are duly and formally recognised by the competent bodies at the subsidiaries, in conformity with paragraph 30 of IAS 18, corroborated by the provisions of paragraph 33 of IAS 37, on virtually certain assets, and by the fact that there are no provisions in IAS 10 on subsequent events, that contradict this framing. Moreover, the provisions of Bank of Portugal's Circular no. 18/2004/DSB do not oppose any such approach.

2.16 Income and charges for services and commissions

The Bank earns fees from its clients for providing a broad range of services. These include fees for the provision of ongoing services, for which clients are usually debited on a periodic basis, and fees charged for carrying out a specific significant act.

Fees charged for services provided during a given period are recognised over the duration of the service. Fees related to the performance of a significant act are recognised at the moment the act in question occurs.

The fees and charges associated with financial instruments are included at the effective interest rate of such instruments.

2.17 Voluntary changes in accounting policies

In 2016, there were no voluntary changes in accounting policies in relation to those considered in the preparation of the financial information for the previous year, as presented in the comparative statements.

3. SEGMENT REPORTING

In the Bank's segment report, as at 31 December 2016, the primary reporting is based on business areas. These include Corporate Finance, Capital Markets, Sales & Trading, Wealth Management, Client Management, Legacy and other activities.

The division amongst the various business processes took into account the nature of the processes, the similarities between them, the organisation and the management processes in use at the Bank.

The reports used by management are essentially based on accounting information. There are no differences between the measurements of income, losses, assets and liabilities in the different segments.

In 2016, changes were made to the reporting of business segments, in order to better reflect the internal reorganisation that had already taken place at the Bank. More specifically, the new Client Management business segment brought together the 2015 reporting segments of Depositary Bank and Treasury (as these pertained to client business) and the new Sales and Trading segment consolidates the 2015 reporting segments of Proprietary Trading and Brokerage.
Thus the business segments reported by the Bank in 2016 cover the following business activities:

- Corporate Finance; Financial Advisory;
- Capital Markets: Structuring of equity and bond issues; Origination and management of commercial paper programmes;
- Sales & Trading: Own portfolio - Bonds; Brokerage;
- Wealth Management: Investment Consultancy; Discretionary Management;
- Client Management: Corporate & Private Banking; Depositary Bank for Funds;
- Legacy: Legacy portfolios (funds and shares); financial holdings for sale; real estate properties for sale; real estate loans; structured finance;
- Others: Other activities not included in the above segments.

Business segments as at 31 December 2016:

	Corporate Finance	Capital Markets	Sales & Trading	Wealth Management	Client Management	Legacy	Others	Total
Interest and similar income	-	-	101	-	67	(923)	1,182	427
Interest and similar expenses	-	-	1	-	352	(248)	(1 036)	(931)
Net Interest Income	**-**	**-**	**102**	**-**	**419**	**(1 171)**	**146**	**(504)**
Income from equity instruments	-	-	-	-	-	458	-	458
Fees and commissions income	665	246	263	679	2 564	61	12	4 490
Fees and commissions expenses	(5)	(16)	(159)	(89)	(55)	(11)	(30)	(365)
Income from assets and liabilities valued at fair value through profit or loss	-	-	441	(2)	1	(5 961)	-	(5 521)
Income from financial assets available for sale	-	-	-	-	-	(1 110)	-	(1 110)
Income from foreign exchange revaluation	-	-	-	-	-	-	59	59
Other operating income	(13)	(41)	(55)	217	(140)	277	(5)	240
Net Operating Income	**646**	**189**	**592**	**806**	**2 788**	**(7 456)**	**182**	**(2 253)**
Personnel Costs	(97)	(271)	(429)	(203)	(482)	(186)	(753)	(2 422)
Overheads	(110)	(173)	(845)	(125)	(438)	(254)	(936)	(2 880)
Depreciations and amortisations	(7)	(21)	(46)	(17)	(38)	(459)	(31)	(619)
Provisions net of refunds and write-offs	-	-	-	-	(437)	102	-	(335)
Loan impairment net of reversals and recoveries	-	-	-	-	-	(338)	-	(338)
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	-	646	3	649
Impairment of other assets net of reversals and recoveries	-	-	-	-	(341)	(74)	-	(415)
Profit / (Loss) before Taxes	**431**	**(275)**	**(727)**	**459**	**1 052**	**(8 019)**	**(1 536)**	**(8 613)**
Current	(13)	(8)	(22)	(14)	(42)	(146)	(56)	(301)
Deferred	-	-	-	-	-	-	-	-
Profit / (Loss) after Taxes	**418**	**(283)**	**(749)**	**446**	**1 010**	**(8 165)**	**(1 592)**	**(8 914)**
Profit / (Loss) from discontinued operations	-	-	-	-	-	3 123	-	3 123
Net Profit / (Loss) for the Year	**418**	**(283)**	**(749)**	**446**	**1 010**	**(5 042)**	**(1 592)**	**(5 791)**

Business segments as at 31 December 2015:

	Corporate Finance	Capital Markets	Wealth Management	Brokerage	Proprietary Trading	Custodian Bank	Treasury	Legacy	Others	Total
Interest and similar income	4,010	17	-	-	297	-	358	-	-	4,682
Interest and similar expenses	(2,404)	(7)	-	(1)	(70)	-	521	(1,771)	(140)	(3,872)
Net Interest Income	**1,606**	**10**	**-**	**(1)**	**227**	**-**	**879**	**(1,771)**	**(140)**	**810**
Income from equity instruments	-	-	-	-	7	9	-	331	-	347
Fees and commissions income	1,501	612	1,082	629	-	2,493	353	-	-	6,670
Fees and commissions expenses	(2)	(4)	(165)	(171)	(48)	(76)	(5)	(4)	(47)	(522)
Income from assets and liabilities valued at fair value through profit or loss	(2,133)	(2)	-	(2)	653	-	-	(12,016)	-	(13,500)
Income from financial assets available for sale	-	-	-	-	-	-	(5)	(5)	-	(10)
Income from foreign exchange revaluation	-	-	-	-	-	-	129	-	-	129
Income from the disposal of other assets	-	-	-	-	-	-	-	-	-	-
Other operating income	(15)	(18)	(143)	(23)	(12)	(218)	(104)	(39)	36	(536)
Net Operating Income	**957**	**598**	**774**	**432**	**827**	**2,208**	**1,247**	**(13,504)**	**(151)**	**(6,612)**
Personnel Costs	(310)	(385)	(403)	(365)	(268)	(291)	(334)	(329)	51	(2,634)
Overheads	(150)	(201)	(235)	(559)	(418)	(353)	(183)	(248)	(110)	(2,457)
Depreciations	(11)	(16)	(18)	(25)	(13)	(92)	(9)	(459)	(27)	(670)
Provisions net of refunds and write-offs	-	-	-	-	-	-	-		(3,063)	(3,063)
Loan impairment net of reversals and recoveries	397	7	-	-	-	-	(1,962)	(2,848)		(4,406)
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	-	-	-	(2,160)	-	(2,160)
Impairment of other assets net of reversals and recoveries	60	37	-	-	-	(398)	(16)		20	(297)
Profit / (Loss) before Taxes	**943**	**40**	**118**	**(517)**	**128**	**1,074**	**(1,257)**	**(19,548)**	**(3,280)**	**(22,300)**
Current	(17)	(1)	(2)	(9)	(2)	(20)	(12)	(461)	(13)	(537)
Deferred	-	-	-	-	-	-	-	(16,941)	-	(16,941)
Profit / (Loss) after Taxes	**926**	**39**	**116**	**(526)**	**126**	**1,054**	**(1,269)**	**(36,950)**	**(3,293)**	**(39,778)**
Profit / (Loss) from discontinued operations	-	-	-	-	-	-	-	250	-	250
Net Profit / (Loss) for the Year	**926**	**39**	**116**	**(526)**	**126**	**1,054**	**(1,269)**	**(36,700)**	**(3,293)**	**(39,528)**

The interest figures reported in the business segments include intra-segment interest pertaining to funding costs and/or the application of funds raised.

Geographic segments

All of the Bank's business activity is carried out in Portugal.

4. CASH AND BALANCES AT CENTRAL BANKS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Cash	2	2
On-Demand Deposits at Bank of Portugal	31,825	15,761
	31,827	15,763

The "Demand Deposits at Bank of Portugal" item includes the deposits set up to meet the Eurosystem's Minimum Reserve requirements. The minimum reserve corresponds to 1% of deposits and debt securities with maturities of up to 2 years, excluding any liabilities to other institutions subject to, but not exempt from, the same minimum reserve requirement and the liabilities to the European Central Bank and to national central banks participating in the euro.

5. BALANCES AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
On-Demand Deposits		
In Portugal	980	3,684
Abroad	1,763	4,303
	2,743	7,987

6. FINANCIAL ASSETS HELD FOR TRADING

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Securities portfolio	10,441	1,854
Derivative instruments with positive fair value	-	2
	10,441	1,856

This item comprises securities and derivative financial instruments that are wholly classified as being held for trading. The negative fair value of the derivatives is recognised in the 'Financial liabilities held for trading' item.

At the date of the financial statements, the Bank had no exposure to derivative instruments. The derivatives carried in previous periods were essentially related to the Bank's loan portfolio, which was partly disposed of.

Description	Currency	2016			2015		
		Notional Values	Fair Value		Notional Values	Fair Value	
			positive	negative		positive	negative
Currency Forwards							
Financial Institutions	EUR	-	-	-	553	2	-
Clients	EUR	-	-	-	567	-	3
Interest Rate Swaps							
Financial Institutions	EUR	-	-	-	-	-	-
Clients	EUR	-	-	-	11,203	-	453
TOTAL		**-**	**-**	**-**	**12,323**	**2**	**456**

As at 31 December 2015, and because the Bank had contracted derivative financial instruments, it had the following margin accounts:

Entity	31/12/2016	31-12-2015 Restated
Banco Santander Totta	-	2,230
Barclays Bank	-	450
	-	2,680

Any margin accounts that do exist are recognised in the 'Balances at other credit institutions' item. As at 31 December 2016, the Bank had no margin accounts for derivative financial instruments.

Details of the securities portfolio, as at 31 December 2016:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
Debt Instruments					**10,441**
Issued by residents					
of portuguese public debt					
PORTB 0 01/20/17	EUR	10,000,000	1.00	Fair Value	10,001
From foreign public issuers					
BANCO NAC DESENV ECON 09/17	EUR	50,000	1.02	Fair Value	52
From other non-residents					
Others					
COSAN FINANCE LTD 02/01/2017	USD	5,000	1.00	Fair Value	5
EDP FINANCE BV 6 02/18	USD	200,000	1.04	Fair Value	202
GERDAU HOLDINGS INC	USD	50,000	1.08	Fair Value	53
BANCO DO BRASIL (CAYMAN) 01/20	USD	70,000	1.06	Fair Value	72
VOTORANTIM PARTICIPACOES 6 3/4 4/21	USD	35,000	1.05	Fair Value	36
BANCO ABC-BRASIL SA 7 7/8 04/20	USD	20,000	1.06	Fair Value	20
Equity instruments					
Issued by residents					
BANIF SA	EUR	565,574	0.00	Fair Value	-
BUCIQUEIRA-S.G.P.S., S.A.	EUR	2	0.00	Fair Value	-
Issued by non-residents					
AMERICAN INTERNATIONAL - CW21	USD	1	23.46	Fair Value	0
Total					**10,441**

Details of the securities portfolio, as at 31 December 2015:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt Instruments					**1,825**
Issued by non-residents					
Of foreign public issuers					
FED REPUBLIC OF BRAZIL	BRL	150,000	1.00	Fair Value	36
FED REPUBLIC OF BRASIL	USD	20,000	0.87	Fair Value	17
BANCO NAC DESENV ECON 09/17	EUR	12,000	0.94	Fair Value	11
From other non-residents					
Others					
Non-subordinated debt					
VALE OVERSEAS LIMITED 01/34	USD	10,000	0.82	Fair Value	8
MARFRIG OVERSEAS LTD 11/16/2016	USD	34,000	1.02	Fair Value	32
TAM CAPITAL INC 04/25/2017	USD	50,000	0.95	Fair Value	44
BANCO VOTORANTIM 7 3/8 01/20	USD	50,000	0.97	Fair Value	46
VOTORANTIM PARTICIPACOES 6 3/4 4/2	USD	35,000	0.98	Fair Value	32
BANCO INDUSTR E COMRCL 04/27/20	USD	50,000	0.99	Fair Value	46
PEMEX PROJ FDG MASTER TR 08/16	EUR	10,000	1.03	Fair Value	12
BFF INTERNATIONAL LTD 7 1/4 01/20	USD	100,000	1.07	Fair Value	101
SUZANO TRADING BAHIA 5 7/8 01/21	USD	50,000	0.97	Fair Value	46
PETROLEOS MEXICA PEMEX 6 5/8 49-15	USD	150,000	0.93	Fair Value	127
PETROLEOS MEXICA PEMEX 6 03/05/20	USD	47,000	1.04	Fair Value	46
BANCO SAFRA CI BANSAF6 3/4 01/21	USD	17,000	1.02	Fair Value	16
BR MALLS INTL FI BRMLBZ8 1/2 49-16	USD	45,000	0.78	Fair Value	33
EDP FINANCE BV 4.9 10/19	USD	100,000	1.03	Fair Value	96
PETROLEOS MEXICA PEMEX 4 7/8 01/22	USD	100,000	0.96	Fair Value	90
PETROBRAS 4 7/8 03/18	EUR	50,000	0.83	Fair Value	44
VALE OVERSEAS 4 3/8 01/22	USD	25,000	0.76	Fair Value	18
GLOBO COMMUN PAR 4 7/8 04/22	USD	200,000	0.97	Fair Value	180
EMPRESA BRAS DE AERONAU 5.15 06/22	USD	23,000	0.98	Fair Value	21
BANCO SANTANDER BRAS CI 8 03/18/16	BRL	50,000	0.98	Fair Value	12
EDP FINANCE BV 4 1/8 01/21	EUR	150,000	1.08	Fair Value	168
PETROLEOS MEXICANOS 3 1/2 01/23	USD	10,000	0.87	Fair Value	8
GALP ENERGIA SGPS S.A. 4 1/8 01/19	EUR	200,000	1.05	Fair Value	218
PETROLEOS MEXICANOS 3 1/2 07/18	USD	21,000	0.99	Fair Value	19
PETROBRAS GLOBAL FINANCE2 3/4 01/1	EUR	50,000	0.82	Fair Value	42
EDP FINANCE BV 2 5/8 04/19	EUR	100,000	1.04	Fair Value	105
FIBRA OVERSEAS FINANCE 5 1/4 05/24	USD	25,000	0.95	Fair Value	22
BRF - BRASIL FOODS SA 4 3/4 05/24	USD	150,000	0.91	Fair Value	129
2 - Equity instruments					**1**
Issued by residents					
ELECTRICIDADE DE PORTUGAL, SA	EUR	50	3.32	Fair Value	-
BANCO COMERCIAL PORTUGUÊS	EUR	1,000	0.05	Fair Value	-
GALP ENERGIA SGPS-NOM	EUR	20	10.72	Fair Value	-
BANIF SA	EUR	565,574	0.00	Fair Value	1
Issued by non-residents					
ACS ACTIVIDADES CONS Y SERV	EUR	10	27.02	Fair Value	-
PARMALAT FINANZIARIA SPA	EUR	30,000	0.00	Fair Value	-
EASYJET PLC (LN)	GBP	8	17.40	Fair Value	-
AMERICAN INTERNATIONAL - CW21	USD	1	23.76	Fair Value	-
3 - Others					**28**
Issued by residents					
REN 6.25 2016	EUR	25,000	1.03	Fair Value	26
MOTA-ENGIL SGPS SA 6.85 03/18/16	EUR	2,000	1.00	Fair Value	2
Total					**1,854**

As required under subparagraph c), no. 2, of Bank of Portugal's Instruction no. 18/2005, the securities that will come to maturity within one year are:

Security	Maturity Date	Balance Sheet Value
PORTB 0 01/20/17	20/01/2017	10,001
BANCO NAC DESENV ECON 09/17	15/09/2017	52
COSAN FINANCE LTD 02/01/2017	01/02/2017	5

7. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item, as at 31 December 2016, are as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
Equity Instruments					**34,713**
Issued by residents					
GALERIAS NAZONI	EUR	750	0.00	Fair Value	-
FINPRO SCR, SA	EUR	407,461	0.00	Fair Value	-
BANIF IMOPREDIAL	EUR	3,784,630	4.46	Fair Value	16,886
BANIF IMOGEST	EUR	200,735	18.08	Fair Value	3,629
TURIRENT-FUNDO INV IMOB FECHADO	EUR	12,166	550.70	Fair Value	6,700
NEW ENERGY FUND	EUR	183	6,543.56	Fair Value	1,197
PORTO NOVO F.I.I.F.	EUR	20,788	55.78	Fair Value	1,160
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	55.00	Fair Value	2,200
BANIF CAPITAL INFRASTRUCTURE FUND	EUR	1,635	0.00	Fair Value	-
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	0.00	Fair Value	-
BANIF US REAL ESTATE FUND CLASS	USD	126,845	0.00	Fair Value	-
GED SUR FCR-CL A	EUR	100	58.81	Fair Value	6
GED SUR FCR-CL B	EUR	49,900	58.81	Fair Value	2,935
Total					**34,713**

The details of this item, as at 31 December 2015, were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
2 - Equity instruments					**44,751**
Issued by residents					
GALERIAS NAZONI	EUR	750	-	Fair Value	-
FINPRO SCR, SA	EUR	407,461	-	Fair Value	-
BANIF IMOPREDIAL	EUR	3,784,630	5.42	Fair Value	20,502
BANIF IMOGEST	EUR	200,735	24.53	Fair Value	4,924
TURIRENT-FUNDO INV IMOB FECHADO	EUR	11,803	559.73	Fair Value	6,607
NEW ENERGY FUND	EUR	177	5,680.22	Fair Value	1,005
PORTO NOVO F.I.I.F.	EUR	20,788	65.26	Fair Value	1,357
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	55.00	Fair Value	2,200
BANIF REAB URBANA - FII FECHADO	EUR	376	7,639.57	Fair Value	2,872
BANIF CAPITAL INFRASTRUCTURE FUND	EUR	1,635	-	Fair Value	-
BANIF IBERIA	EUR	169,461	5.40	Fair Value	915
BANIF GLOBAL PRIVATE EQUITY F - FCR	EUR	1,000,000	0.53	Fair Value	530
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	-	Fair Value	-
BANIF US REAL ESTATE FUND CLASS	USD	126,845	-	Fair Value	-
GED SUR FCR-CL A	EUR	100	76.78	Fair Value	8
GED SUR FCR-CL B	EUR	49,900	76.78	Fair Value	3,831
Total					**44,751**

8. FINANCIAL ASSETS AVAILABLE FOR SALE

The details of this item, as at 31 December 2016, were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
Debt Instruments					**5,619**
Issued by residents					
Of portuguese public debt					
PORTUGUESE OT'S 4.35 10/16/17	EUR	5,000,000.00	1.04	Fair Value	5,227
PGB 4,45 06/15/18	EUR	360,000.00	1.06	Fair Value	392
Equity Instruments					**20,239**
Issued by residents					
FLORESTA ATLÂNTICA - SGFII, SA	EUR	10,125.00	10.79	Fair Value	109
FINPRO SCR, SA	EUR	763,363.00	0.00	Fair Value	-
ASCENDI OPERADORA BLA	EUR	63.00	1.00	Historical Cost	0
ASCENDI OPERADORA CP	EUR	63.00	1.00	Historical Cost	0
ASCENDI OPERADORA NT	EUR	97.00	1.00	Historical Cost	0
ASCENDI BEIRAS LITORAL E ALTA	EUR	32,460.00	35.51	Historical Cost	1,153
ASCENDI COSTA DE PRATA	EUR	14,129.00	6.90	Historical Cost	98
ASCENDI NORTE	EUR	54,199.00	4.00	Historical Cost	217
Ascendi Costa da Prata	EUR	22,148.33	1.00	Historical Cost	22
Ascendi Norte	EUR	541,996.23	1.00	Historical Cost	542
Ascendi Beira Litoral	EUR	86,751.90	1.00	Historical Cost	87
BANIF IMOGEST	EUR	9,447.00	18.08	Fair Value	171
LUSO CARBON FUND-FUNDO ESP FECHADO	EUR	82.00	10,454.30	Fair Value	857
BANIF PROPERTY	EUR	887.00	776.99	Fair Value	689
ART INVEST (CP)	EUR	312,900.00	2.52	Fair Value	789
Issued by non-residents					
GED SUR CAPITAL S.A., SGECR	EUR	30,000.00	1.02	Fair Value	31
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,562.08	1,002.35	Fair Value	12,591
PREFF-PAN EUROPEAN REAL STATE FUND	EUR	15,618.32	72.83	Fair Value	1,136
JP MORGAN EUROPEAN PROPERTY FUND	EUR	6.01	6,824.28	Fair Value	41
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	300,000.00	1.33	Fair Value	399
FINE ART FUND (CP)	USD	12,644.74	16.66	Fair Value	200
DB GLOBAL MASTERS FUND - 04/05	EUR	2,408.41	7.98	Fair Value	19
DB GLOBAL MASTERS FUND - 07/07	EUR	2,824.28	5.85	Fair Value	17
GREFF GLOBAL REAL ESTATE FUND A	EUR	784.85	88.89	Fair Value	70
JPM GREATER CHINA PROP FUND CAY LP	USD	207,141,363.00	0.00	Fair Value	979
BELMONT RX SPC FI SEP08	USD	1.51	14.30	Fair Value	0
BELMONT RX SPC FI DEC08	USD	523.68	43.03	Fair Value	22
DB GLOBAL MASTERS FUND-V 13-07	EUR	3.98	5.55	Fair Value	0
Total					**25,858**

As required in subparagraph c), no. 2, of Bank of Portugal's Instruction no. 18/2005, the securities with maturity of up to one year are the following:

Security	Maturity Date	Balance Sheet Value
PORTUGUESE OT'S 4.35 10/16/17	16/10/2017	5,227

The details of this item, as at 31 December 2015, were as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt Instruments					**6,047**
Issued by residents					
Of portuguese public debt					
PORTUGUESE OT'S 4.35 10/16/17	EUR	5,000,000	1.08	Fair Value	5,425
PGB 4,45 06/15/18	EUR	360,000	1.10	Fair Value	406
Issued by non-residents					
From other non-residents					
Others					
Non-subordinated debt					
WMPARK FUNDING SA 6 3/4 19-18	EUR	200,000	1.08	Fair Value	216
2 - Equity instruments					**23,814**
Issued by residents					
FLORESTA ATLÂNTICA - SGFII, SA	EUR	10,125	10.79	Fair Value	109
FINPRO SCR, SA	EUR	763,363	0.00	Fair Value	-
ASCENDI OPERADORA BLA	EUR	63	1.00	Historical Cost	-
ASCENDI OPERADORA CP	EUR	63	1.00	Historical Cost	-
ASCENDI OPERADORA NT	EUR	97	1.00	Historical Cost	-
ASCENDI BEIRAS LITORAL E ALTA	EUR	32,460	35.51	Historical Cost	1,152
ASCENDI COSTA DE PRATA	EUR	14,129	6.90	Historical Cost	98
ASCENDI NORTE	EUR	54,199	4.00	Historical Cost	217
Ascendi Costa da Prata	EUR	22,148	1.00	Historical Cost	22
Ascendi Norte	EUR	541,996	1.00	Historical Cost	542
Ascendi Beira Litoral	EUR	86,752	1.00	Historical Cost	87
BANIF IMOGEST	EUR	9,447	24.53	Fair Value	232
LUSO CARBON FUND-FUNDO ESP FECHADO	EUR	82	11,984.40	Fair Value	983
BANIF PROPERTY	EUR	887	803.73	Fair Value	713
ART INVEST (CP)	EUR	312,900	2.58	Fair Value	807
BANIF REAB URBANA - FII FECHADO	EUR	375	7,639.57	Fair Value	2,864
Issued by non-residents					
GED SUR CAPITAL S.A., SGECR	EUR	30,000	1.02	Fair Value	31
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,299	1,016.81	Fair Value	12,505
PREFF-PAN EUROPEAN REAL STATE FUND	EUR	22,368	71.69	Fair Value	1,604
AVIVA CENTR EUROPEAN PROPERTY FUND	EUR	8,292,693	0.01	Fair Value	83
JP MORGAN EUROPEAN PROPERTY FUND	EUR	9	6,174.47	Fair Value	57
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	300,000	1.76	Fair Value	527
FINE ART FUND (CP)	USD	12,645	19.39	Fair Value	225
DB GLOBAL MASTERS FUND - 04/05	EUR	2,408	10.72	Fair Value	26
DB GLOBAL MASTERS FUND - 07/07	EUR	2,824	7.87	Fair Value	22
GREFF GLOBAL REAL ESTATE FUND A	EUR	1,071	92.05	Fair Value	99
JPM GREATER CHINA	USD	207,141,363	0.00	Fair Value	788
BELMONT RX SPC FI SEP08	USD	2	14.30	Fair Value	-
BELMONT RX SPC FI DEC08	USD	524	43.03	Fair Value	21
DB GLOBAL MASTERS FUND-V 13-07	EUR	4	7.47	Fair Value	-
Total					**29,861**

The "Portuguese OT´S 4.35 10/16/17" treasury bonds are a collateral for the intraday credit line. As at 31 December 2016, the Bank was not using the line.

The main assumptions used in the valuation of unlisted equity instruments are:

- Fund Units – market price based on the last NAV available for fund units acquired up to the date of that price; historical cost for investments made between the date of the last quoted price available and the date of the financial statements;
- Securities received in lieu – carrying of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analyses.

Securities valued at historical cost, as at 31 December 2016:

Security	Quantity	Acquisition Price
Ascendi Norte	541,996	1.00
Ascendi Norte	54,199	4.00
Ascendi Costa da Prata	14,129	6.90
Ascendi Beira Litoral	86,752	1.00
Ascendi Costa da Prata	22,148	1.00
Ascendi Operadora NT	97	1.00
Ascendi Operadora BLA	63	1.00
Ascendi Operadora CP	63	1.00

9. APPLICATIONS WITH CREDIT INSTITUTIONS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Term Deposits		
In Portugal	200	-
	200	-

10. LOANS AND ADVANCES TO CLIENTS

This item breaks down as follows, in accordance with the development of the Analytical Situation:

	31/12/2016	31-12-2015 Restated
Domestic Loans		
Corporates		
Syndicated Loans	-	5,617
Other Loans	136	297
Overdrafts on demand deposits	464	7,419
Individuals		
Other Loans	-	196
Overdrafts on demand deposits	1	244
	601	13,773
Overdue Loans and Interests	3,136	2,678
	3,737	16,451
Securities Portfolio	3,714	3,596
	7,451	20,047
Impairment	(6,233)	(9,721)
Total	1,218	10,326

During the year of 2016, the loan to the Bank's client Escala Vila Franca was sold and the loan to the Bank's client Evalesco was reimbursed, in the following terms:

Escala Vila Franca

The loan, in the amount of 5,617 thousand euros, was sold for its balance sheet value.

Evalesco

Under the terms of the Special Revitalisation Plan ("PER" – *Plano Especial de Revitalização*), Tranche B of the loan, in the amount of 2,827 thousand euros, was repaid in July 2016. This was achieved by selling the securities that had been pledged as a guarantee for this tranche. Tranche A was also reimbursed, in the amount of 4,084 thousand euros, by means of lieu of payment in accordance with the provisions of the PER. These provisions establish that Tranche A would be paid by handing over the securities pledged as surety for this tranche to the Bank.

In 2016, these transactions did not have any impact on the Bank's Profit and Loss of the Year.

Principal and overdue accrued interest arrears break down as follows:

Term (months)	Amount 2016	2015
<= to 3m	208	52
> 03m <= 06m	-	2
> 06m <= 09m	122	-
> 09m <= 12m	-	-
> 12m <= 15m	4	-
> 15m <= 18m	-	5
> 18m <= 24m	0	-
> 24m <= 30m	1,791	-
> 30m <= 36m	5	2
> 36m <= 48m	2	2,595
> 48m <= 60m	982	22
> 60m	22	-
Total	3,136	2,678

As at 31 December 2016, the details of the securities portfolio classified into this item are as follows:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Gross Value	Net Value
Issued by non-residents						
CIELO GRANDE VIEW BILOXI 240	USD	2,609,479	0.00	Amortised Cost	2,476	-
ATC FORT MYERS	USD	1,305,149	0.00	Amortised Cost	1,238	-
Total					**3,714**	**-**

The details of securities portfolio, as at 31 December 2015, are as follows:

Name and Type of Security	Currency	Quantity	Price	Valuation Criteria	Gross Value	Net Value
Issued by non-residents						
CIELO GRANDE VIEW BILOXI 240	USD	2,609,479	0.00	Amortised Cost	2,397	-
ATC FORT MYERS	USD	1,305,149	0.00	Amortised Cost	1,199	-
Total					**3,596**	**-**

Note 2.8 details the policy adopted by the Bank in relation to the classification of securities in this category.

The Bank considers restructured loans to be those loans in relation to which there have been changes in contractual conditions, particularly in terms of extensions to the repayment period, the introduction of grace periods or the capitalisation of interest, due to the financial difficulties of the borrower, regardless of whether or not there have been delays in the payment of principal and interest.

11. NON-CURRENT ASSETS HELD FOR SALE

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Foreclosed real estate properties	3	3
Real Estate Properties	6,027	6,027
Associated Companies	7,053	-
Shareholder Loans ("suprimentos") to Associated companies	987	-
Impairments on Real Estate Properties	(1,623)	(1,549)
Impairments on Associated Companies	(3,868)	-
	8,579	4,481

In 2016, the Bank recorded as non-current assets held for sale the financial holdings held with the intention and expectation of disposal in the short term (1 year). As at 31 December 2015, these holdings were recorded on the balance sheet as investments in subsidiaries and associates in accordance with note 2.7.

The financial holdings classified as non-current assets held for sale are:

Name	% Shareholding	Gross Balance Sheet Value	Impairment	Net Balance Sheet Value	% in Equity value	Equity Value
Banif Gestão de Activos	100%	2,137	-	2,137	4,855	4,855
Banif Capital	100%	3,312	3,078	234	234	234
MCO2	25%	1,288	790	498	506	2,025
BIAM	100%	316	-	316	655	655
		7,053	3,868	3,185		

As per requested in IFRS 12, the table below presents financial information on the entities classified into the category of non-current assets held for sale:

As at 31 December 2016:

2016	Banif Gestão de Activos	Banif Capital	MCO2	BIAM
Assets	7,523	1,421	2,181	1,940
Liabilities	2,668	1,187	156	1,285
Profit / (Loss) of the year	18	(3,031)	(231)	(163)
Turnover	3,556	510	450	-

As at 31 December 2015:

2015	Banif Gestão de Activos	Banif Capital	MCO2	BIAM
Assets	9,130	4,535	2,411	1,915
Liabilities	4,293	4,957	155	1,124
Profit / (Loss) of the year	287	(1,514)	(91)	119
Turnover	6,151	999	728	227

The changes to Banif Capital's equity in 2016 were as follows:

	31/12/2015	Conversion of Shareholder Loans ("suprimentos")	Conversion of Shareholder Loans ("suprimentos")	Share Capital Reduction	31/12/2016
Share Capital	750	1,000	-	(1,624)	126
Supplementary Capital Contributions ("prestações acessórias")	500	-	2,687	-	3,187
Shareholder Loans ("suprimentos")	4,673	(1,000)	(2,687)	-	986
	5,923	-	-	(1,624)	4,299

Changes over the period were:

Description	Balance as at 31-12-2015			Movement in the year 2016				Balance as at 31-12-2016		
	Gross Balance	Impairment	Net Balance	Transfer (gross balance)	Transfer (impairment)	Applications	Impairment net reinforcement	Gross Balance	Impairment	Net Balance
Associated companies	-	-	-	7,053	2,496	(1,659)	3,031	7,053	3,868	3,185
Shareholder Loans ("suprimentos") to Associated companies	-	-	-	987	-	-	-	987	-	987
Foreclosed Real Estate Properties	3	-	3	-	-	-	-	3	-	3
Real Estate Properties	6,027	1,549	4,478	-	-	-	74	6,027	1,623	4,404
Total	6,030	1,549	4,481	8,040	2,496	(1,659)	3,105	14,070	5,491	8,579

Throughout 2016, the Group completed the sale of its financial holdings in Gamma and Banif Pensões and obtained the following gains:

- Gamma – Sociedade de Titularização de Créditos: 3,648 thousand euros;
- Banif Pensões: 261 thousand euros.

Entity	Acquisition Value	Disposal Value	Capital Gain (note 33)
Gamma - Sociedade de Titularização de Créditos	4,285	7,933	3,648
Banif Pensões - Sociedade Gestora de Fundos de Pensões	1,525	1,786	261
	5,810	9,719	3,909

Changes over 2015 period were:

Description	Balance as at 31-12-2014			Movement during year 2015			Balance as at 31-12-2015		
	Gross Balance	Impairment	Net Balance	Acquisitions	Disposals	Impairment (application)	Gross Balance	Impairment	Net Balance
Foreclosed properties	-	-		3	-	-	3	-	3
Properties	6,027	1,549	4,478	-	-		6,027	1,549	4,478
Total	6,027	1,549	4,478	3	-	-	6,030	1,549	4,481

For the purposes of determining any impairment of the real estate property classified as non-current assets held for sale, valuations are carried out by independent specialist surveyors, in accordance with the criteria and methodologies generally accepted for the purpose. These include analyses using the cost and market methods. Fair value is defined as the amount that could reasonably be expected of a transaction between an interested purchaser and seller, with equity between the two, neither being obliged to sell or purchase and both being aware of all relevant factors on a given date. The last valuation of real estate property classified in this category occurred in December 2016.

The impairments constituted for financial holdings take into consideration the updated valuation of these companies, where available, or the value of their share capital adjusted in accordance with IAS/IFRS standards, or their agreed/formalised sale value, where applicable. As at 31 December 2016, the value of the impairment associated with the financial holdings was obtained by considering the value of their equity adjusted in accordance with IAS/IFRS standards.

As at the reporting date of these financial statements, the Bank did not have financial information approved by the General Meeting of the companies classified in Non-current assets held for sale as at 31 December 2016, with the exception of the entities MCO2 – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. and Banif Capital – Sociedade de Capital de Risco, S.A. These entities held General Meetings that approved their Financial Statements on 30 and 31 March 2017, respectively. However, it is the opinion of the Board of Directors of the Bank that such financial statements will not show any significant changes.

The Bank made specific efforts to dispose of the real estate property, publicising it as being available for immediate sale. During the current year the Bank has received a proposal for the disposal of this property and no significant difference exists between the proposal value and its book value. The continuing classification of the property in non-current assets held for sale requires authorisation from Bank of Portugal. The Bank has always obtained this authorisation within the set timeframe.

As at 31 December 2015 and 2016, the Bank fulfilled the IFRS 5 criteria for the purpose of accounting for the property in this asset category.

12. OTHER TANGIBLE ASSETS

Changes over the period were:

CATEGORY	BALANCE AS AT 31-12-2015		MOVEMENT DURING YEAR 2016				BALANCE AS AT 31-12-2016		
			ACQUISITIONS	WRITE-OFFS		DEPRECIATIONS FOR THE YEAR			
	GROSS BALANCE	DEPREC.		GROSS BALANCE	DEPREC. + IMPAIRMENT		GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
TANGIBLE FIXED ASSETS									
REAL ESTATE PROPERTY	**411**	**178**	**-**	**-**	**-**	**14**	**411**	**192**	**219**
Work on leasehold real estate property	411	178	-	-	-	14	411	192	219
EQUIPMENT	**2,996**	**2,691**	**8**	**(125)**	**(79)**	**108**	**2,879**	**2,719**	**160**
Office furniture and equipment	424	345	-	-	-	46	424	391	33
Machinery and tools	97	90	-	-	-	3	97	93	4
IT equipment	1,501	1,450	-	-	-	20	1,501	1,470	31
Interior installations	650	556	8	-	-	26	658	582	76
Transport material	245	189	-	(125)	(79)	5	120	115	5
Safety equipment	23	22	-	-	-	1	23	23	
Other equipament	56	39	-	-	-	7	56	46	10
TOTAL	**3,407**	**2,869**	**8**	**(125)**	**(79)**	**122**	**3,290**	**2,911**	**379**

Changes over the previous period were:

CATEGORY	BALANCE AS AT 31-12-2014		MOVEMENT DURING YEAR 2015				BALANCE AS AT 31-12-2015		
				WRITE-OFFS					
	GROSS BALANCE	DEPREC.	ACQUISITIONS	GROSS BALANCE	DEPREC. + IMPAIRMENT	DEPRECIATIONS FOR THE YEAR	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
TANGIBLE FIXED ASSETS									
REAL ESTATE PROPERTY	**371**	**165**	**40**	**-**	**-**	**13**	**411**	**178**	**233**
Work on leasehold real estate property	371	165	40	-	-	13	411	178	233
EQUIPMENT	**2,888**	**2,597**	**133**	**(25)**	**(25)**	**119**	**2,996**	**2,691**	**305**
Office furniture and equipment	424	296	-	-	-	49	424	345	79
Machinery and tools	97	85	-	-	-	5	97	90	7
IT equipment	1,452	1,441	50	(1)	(1)	10	1,501	1,450	51
Interior installations	639	525	11	-	-	31	650	556	94
Transport material	197	197	72	(24)	(24)	16	245	189	56
Safety equipment	23	21	-	-	-	1	23	22	1
Other equipament	56	32	-	-	-	7	56	39	17
TOTAL	**3,259**	**2,762**	**173**	**(25)**	**(25)**	**132**	**3,407**	**2,869**	**538**

There are no tangible fixed assets held under financial leasing or operational leasing arrangements.

13. INTANGIBLE ASSETS

Changes over the period were:

CATEGORY	BALANCE AS AT 31-12-2015		MOVEMENT DURING YEAR 2016				BALANCE AS AT 31-12-2016		
				WRITE-OFFS	TRANSFERS				
	GROSS BALANCE	DEPREC.	ACQUISITIONS	GROSS BALANCE	BETWEEN FIXED TANGIBLE ASSETS GROSS BALANCE	DEPRECIATIONS FOR THE YEAR	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
INTANGIBLE ASSETS	8,299	6,566	33	(155)	-	497	8,177	7,063	1,114
Software	8,103	6,566	33	-	41	497	8,177	7,063	1,114
Ongoing	196	-	-	(155)	(41)	-	-	-	-
TOTAL	8,299	6,566	33	(155)	-	497	8,177	7,063	1,114

Changes over the previous period were:

CATEGORY	BALANCE AS AT 31-12-2014		MOVEMENT DURING 2015		BALANCE AS AT 31-12-2015		
	GROSS BALANCE	DEPREC.	ACQUISITIONS	DEPRECIATIONS FOR THE YEAR	GROSS BALANCE	DEPREC. + IMPAIRMENT	NET BALANCE
INTANGIBLE ASSETS	8,099	6,028	200	538	8,299	6,566	1,733
Software	7,944	6,028	159	538	8,103	6,566	1,537
Ongoing	155		41		196		196
TOTAL	8,099	6,028	200	538	8,299	6,566	1,733

14. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2016, the Bank has no company holdings recognised in this category.

During 2016, and following the sale and purchase agreement between the Bank's current shareholder and the Prominent-buyer, the Bank reclassified subsidiaries to non-current assets held for sale, as detailed in note 11.

As at 31 December 2015, this item broke down as follows:

Name	% shareholding	Gross Balance Sheet Value	Impairment	Net Balance Sheet Value	% in the equity value
	31/12/2015				
Holdings					
Banif Pensões	56%	1,525	-	1,525	3,654
Banif Gestão de Activos	100%	2,137	-	2,137	4,890
Banif Capital	100%	784	784	-	(421)
Gamma	100%	250	-	250	6,441
MCO2	25%	738	453	285	564
BIAM	100%	305	-	305	791
Supplementary Capital Contributions ("prestações acessórias") and Shareholder Loans ("suprimentos")					
Banif Capital		500	500	-	-
MCO2, SA		550	338	212	-
Gamma, SA		4,035	-	4,035	-
Total		**10,824**	**2,075**	**8,749**	**15,919**

15. CURRENT TAX ASSETS AND LIABILITIES

As at 31 December 2016 and 2015, current tax assets and liabilities were as follows:

	31/12/2016	31-12-2015 Restated
Current tax assets		
Special Tax Account Payments ("Pagamento Especial por Conta")	139	-
Withholding property taxes	61	-
	200	-
Current tax liabilities		
Special Tax Account Payments ("Pagamento Especial por Conta")	-	115
Tax Estimative	(101)	(125)
	(101)	(10)
	99	(10)

The reconciliation between the nominal tax rate and the effective income tax rate for 2016 and 2015 is as follows:

Description	31/12/2016	31-12-2015 Restated
Profit before Taxes	(8,613)	(22,300)
Corporate Income Tax		
and other taxes on profits	(1 938)	(5 017)
Income Tax (legal tax)	21.00%	21.00%
Additional over Legal Tax	1.50%	1.50%
Autonomous Taxation	101	125
Taxes over Banking Sector	200	412
Total Current Taxes	301	537
Deferred Taxes	0	16 941
Total Tax Burden	301	17 478
Effective Tax	-	-

16. DEFERRED TAX ASSETS AND LIABILITIES

Conversion scheme of deferred tax assets into tax credits

On 21 November 2014, the Bank decided to meet the requirements for the special scheme for the conversion of deferred tax assets into tax credits ("special scheme"). These tax assets result from the non-deduction of expenses and negative equity changes due to impairment losses on loans and post-employment benefits or long-term employee benefits, as provided for in Law no. 61/2014, of 26 August.

In this context, as a result of the Loss in 2015, the Bank recorded deferred tax assets, in the amount of 755 thousand euros, for the balance of impairment losses on non-performing non-mortgage loans, that were above the limits established for in Bank of Portugal's Notice no. 3/95. The referred amount was covered by the special scheme.

After having signed up for the special scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme.

In 2016, and for the purposes stated in the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits (see note 17), maintaining 313 thousand euros as deferred tax assets. The Bank simultaneously set up a special reserve in favour of the State in an amount equivalent to the tax credit plus a margin of 10%, totalling 486 thousand euros (see note 25). The creation of a special reserve required the simultaneous setting up of conversion right attributed to the State.

In this context, BBI decided not to issue any securities until it had received answers to the questions raised and submitted to the competent authorities. These questions pertained to the verification of the compliance of the abovementioned scheme with all legal and procedural requirements.

It is to be noted that, although the applicable legislation requires the issue of securities to set up conversion rights in favour of the State, the legislature has not yet given its opinion on the type of security that must be issued for this purpose.

Tax losses

As provided for in article 52, no. 8, of the Corporate Tax (IRC) Code, an entity may lose the right to deduct tax losses from previous years if there is a change in the ownership of more than 50% of its share capital or of a majority of the voting rights.

Following the resolution measure applied to Banif, SA, which was the entity that owned 100% of BBI's share capital up to 20 December 2015, there was a change in the ownership of more than 50% of BBI's share capital.

As a result, BBI submitted an application, within the legal deadline, to be allowed to maintain the tax losses determined for the reporting periods between 2012 and 2014, in the terms of article 52, no. 12, of the Corporate Tax (IRC) Code.

Considering the Bank's current situation and the lack of reasonable expectations regarding the existence of future taxable profits, no deferred tax assets were recognised for tax losses.

Temporary differences

Similarly, the Bank is not recognising any deferred taxes on the temporary differences between the accounting base and the tax base of the assets and liabilities.

17. OTHER ASSETS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Sundry debtors		
Shareholder loans ("suprimentos")	-	4,674
Debtors	6,554	7,516
Tax Credit (note 16)	442	-
Income receivable	23	159
Expenses with deferred charges	224	135
Foreign exchange transations pending regularisation	2	1,278
Other asset transactions pending regularisation	615	2,623
	7,860	16,385
Impairment losses on other assets (Note 22)	(878)	(970)
Total	**6,982**	**15,415**

The 'Sundry debtors' item includes:

- The shareholder loans in the amount of 4,674 thousand euros made to Banif Capital – Sociedade de Capital de Risco, SA that were transferred to the 'Non-Current Assets held for sale' item in 2016, as explained in note 11.
- The figure for 31 December 2016, of 6,554 thousand euros, includes 4,762 thousand euros for the margin deposited with Clearnet.

Impairment losses in other assets are essentially related to the billing of depository bank fees (519 thousand euros) that were outstanding as at 31 December 2016.

18. DEPOSITS FROM CENTRAL BANKS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Deposits from Central Banks	-	12,500
	-	12,500

As at 31 December 2015, the 'Deposits from Central Banks' item referred to refinancing operations with the European Central Bank (ECB), through its liquidity provision mechanisms, secured by a pledge of eligible assets.

The assets pledged in 2015 for such liquidity provision transactions were as follows:

- Banif Imopredial: 20,502 thousand euros
- Turirent: 6,607 thousand euros
- Banif Imogest: 5,156 thousand euros

- Banif Reabilitação Urbana: 5,736 thousand euros
- Banif Property: 713 thousand euros
- Loans granted: 5,608 thousand euros
- Real Estate Assets: 4,478 thousand euros

The Emergency Liquidity Assistance was suspended on 2 March 2016, after which the Bank did not seek further liquidity providing operations for emergency assistance. The line was formally terminated at the beginning of 2017.

19. FINANCIAL LIABILITIES HELD FOR TRADING

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Short-selling	-	488
Financial Derivative Instruments with negative fair value	-	456
	-	944

Impacts on the results of the Derivatives with negative fair value are presented in Note 29.

Short-selling transactions as at 31 December 2015 break down as follows:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt Instruments					**(488)**
Issued by non-residents					
From foreign public issuers					
FED REPUBLIC OF BRASIL	USD	-100,000	1.03	Fair Value	(97)
From other non-residents					
Others					
Non-subordinated debt					
COSAN FINANCE LTD 02/01/2017	USD	-95,000	1.02	Fair Value	(98)
JBS INVESTMENTS GMBH 7 3/4 20-19	USD	-250,000	0.97	Fair Value	(225)
PETROLEOS MEXICANOS 3 1/2 07/20	USD	-76,000	0.95	Fair Value	(68)
Total					**(488)**

Details on the derivatives with negative fair value as at 31 December 2015 can be analysed in note 6.

20. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
From credit institutions in Portugal		
Short Term Deposits	296	10,014
Term Deposits	2,710	2,866
	3,006	12,880
From credit institutions abroad		
Deposits	69	275
	69	275
	3,075	13,155

21. CLIENT DEPOSITS AND OTHER LOANS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Deposits		
On-Demand	40,914	39,166
Term	49,341	38,996
Interests on Term Deposits	37	28
	90,292	78,190

The term deposits include the resource from the shareholder, Oitante, SA, in the amount of 33,203 thousand euros.

22. IMPAIRMENT, PROVISIONS AND CONTINGENT LIABILITIES

Changes over the year were as follows:

Description	Balance as at 31/12/2015 Restated	Reinforcements	Applications	Amendment in the discontinued units classification	Reversals	Exchange rate differences	Balance as at 31/12/2016
Asset							
Financial assets available for sale	15,027	560	(3,463)	-	(1,208)	31	10,947
Loans and advances to customers	9,721	491	(3,964)	-	(153)	137	6,233
Non-current assets held for sale	1,549	2,918	(1,657)	2,895	(213)	-	5,491
Investments in associates and affiliates	2,075	400	-	(2,475)	-	-	-
Other assets	970	675	(18)	(421)	(335)	7	878
Liabilities							
Fiscal contingencies and other provisions	1,052	98	-	-	-	-	1,150
Guarantees provided and commitments	2,127	436	(71)	-	(200)	-	2,293
Total	32,521	5,578	(9,173)	-	(2,109)	175	26,993

The transfers shown in the table above relate to the reclassification of affiliated and associated companies in non-current assets held for sale.

In 2015, the Bank had increased provisions for tax contingencies associated with VAT amounting to 1,022 thousand euros.

Changes over the previous period were:

Description	Balance as at 31/12/2014	Reinforcements	Applications	Reversals	Reversals (see note 2.2)	Exchange rate differences	Balance as at 31/12/2015 Restated
Asset							
Financial assets available for sale	12,829	2,160	-	-	-	38	15,027
Loans and advances to customers	6,657	4,509	(2,063)	(103)	584	137	9,721
Non-current assets held for sale	1,549	-	-	-	-	-	1,549
Investments in associates and affiliates	790	1,285	-	(1,705)	1,705	-	2,075
Other assets	251	1,077	-	(359)	-	1	970
Liabilities							
Guarantees provided and commitments	667	2,128	-	(87)	(584)	3	2,127
Other provisions	30	1,022	-	-	-	-	1,052
Total	22,773	12,181	(2,063)	(2,255)	1,705	179	32,521

In 31 December 2015, the provisions for general credit risk included the impairment of the loans made to Banif, SA and Fundo Lusíadas, in the amount of 2,059 thousand euros, while the other provisions included the provision for tax contingencies.

The guarantees provided correspond to the following nominal amounts recorded in off-balance-sheet accounts:

Description	31/12/2016	31-12-2015 Restated
Guarantees provided (of which:)		
Guarantees and sureties	3,721	9,199
	3,721	9,199

As at 31 December 2016 and 2015, the breakdown for guaranties and sureties is as follows:

Description	31/12/2016	31-12-2015 Restated
Financial Guarantees	1,467	6,945
Performance Guarantees	2,254	2,254
	3,721	9,199

Contingent liabilities originated by the Resolution Fund

On 3 August 2014, and as part of its responsibilities as the regulatory and resolution authority for the Portuguese financial sector, Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, SA ("BES") under no. 5 of Article 145-G of the Legal Framework of the Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*). This measure consisted of transferring most of BES' activity to a transition bank, Novo Banco, SA ("Novo Banco"), created especially for this purpose. In accordance with EU regulations, the Resolution Fund, created by Decree-Law 31-A/2012, of 10 February, would be responsible for the capitalisation of Novo Banco.

The Resolution Fund provided 4,900 million euros to pay up Novo Banco's share capital. Of this amount, 377 million euros are Resolution Fund own funds. A banking syndicate also extended a loan of 700 million euros to the Resolution Fund. The participation of each credit institution was weighted by a number of factors, including institution size. The remainder amount (3,823 million euros) came from a loan granted by the Portuguese State, which the Resolution Fund will pay interest on and repay. Any funds generated from the sale of Novo Banco will be allocated in their entirety to the Resolution Fund.

On 29 December 2015, Bank of Portugal decided to return liability for unsubordinated BES bonds to BES. These bonds, which had an approximate nominal amount of 2 billion euros, were intended for institutional investors. Bank of Portugal then made a final adjustment to the perimeter of the assets, liabilities, off-balance-sheet items and assets under management transferred to Novo Banco.

In the same month of December 2015, the Portuguese authorities decided to sell most of the assets and liabilities associated with the business activity of Banif - Banco Internacional do Funchal, SA ("Banif") to Banco Santander Totta, for 150 million euros, as part of the application of the resolution measure. This operation involved using around 2,255 million euros of public funds, which were earmarked for covering future contingencies. Of this total, 489 million euros came from the Resolution Fund and 1,766 million euros came directly from the Portuguese State, as a result of the options agreed between the Portuguese authorities, European institutions and Banco Santander Totta, for delimiting the perimeter of the assets and liabilities to be sold. In the context of this resolution measure, the Banif assets flagged as problematic were transferred to an asset management vehicle created for this purpose – Oitante, S.A., of which the Resolution Fund is the sole shareholder. This operation involved the issuing of bonds representing the debt of that vehicle, in the amount of 746 million euros, guaranteed by the Resolution Fund and counter-guaranteed by the Portuguese State. Banif, which will be subject to liquidation in the future, will still hold a restricted set of assets and the holdings of shares, subordinated creditors and related parties.

As provided for in Decree-Law 31-A/2012, the Resolution Fund is resourced by contributions from the institutions participating in the fund and the levy on banks. Furthermore, it is also envisaged that, whenever these resources are insufficient to meet its obligations, others sources of financing may be used, including: (i) special levies on credit institutions; and (ii) amounts from loans.

There is a significant risk of litigation involving the Resolution Fund as a result of the above decisions and also a risk that it may not have sufficient funds to meet its liabilities, particularly the short-term repayment of loans.

As a result of this, the Portuguese Government reached an agreement with the European Commission in the second half of 2016 on changes to the conditions of the loan granted by the Portuguese State and participating banks to the Resolution Fund. These changes are designed to bolster financial stability, by putting in place conditions that will ensure predictability and stability with regard to contributions to the Resolution Fund and an addendum to this end was recently formalised for the Resolution Fund loan agreements. This addendum sets out a number of changes to the repayment plan, the remuneration rate and other terms and conditions associated with these loans, so that they can be adjusted to the capacity of the Resolution Fund to fulfil all its obligations based on its regular income. In other words, the need for special levies or any other type of extraordinary contribution to be collected from the banks participating in the Resolution Fund will be avoided.

Given this, and on the basis of the information currently available, the Board of Directors believes that there are few risks that might result in additional charges for the Bank, and consequently the Resolution Fund, with regard to all the liabilities specified above.

Others

The Bank believes that it is only remotely possible that it will incur losses as a result of the legal proceedings brought by Caixa Económica Montepio Geral, in the amount of 20,250 thousand euros. In this case, the plaintiff is asking that the loan and guarantee contracts signed between Lusíadas – Fundo de Investimento Imobiliário Fechado and the Bank (whose part in the contracts was later transferred to Banif – Banco Internacional do Funchal, SA and currently falls within the perimeter of Banco Santander Totta, SA) be declared null and void. This would result in the cancelling of the mortgages and the sureties pledged on the properties that the fund owns and the ending of the enforcement suit brought by the mortgage creditor.

23. OTHER SUBORDINATED LIABILITIES

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Debt issued	15,000	15,000
Debt buybacked	(12,822)	(12,822)
Interest	2	3
	2,180	2,181

As at 31 December 2016, the other subordinated liabilities item pertains to the following issue:

In 2007, 15,000 perpetual subordinated bonds with a nominal value of 1,000 euros were issued. The interest on these book-entry and bearer bonds will be paid quarterly, from the issue date, on 28 February, 28 May, 28 August and 28 November of each year (“Interest Payment Dates”). The bonds are subject to an Optional Early Redemption and the first payment was made on 28 August 2007 and the last payment will be made on the Maturity Date or on the early redemption date(s), where this is the case. Interest up to, but not including, 28 May 2017 (First Early Redemption Date at the Issuer's Option) will be calculated on the basis of the 3-month Euribor rate on the second “target business day” immediately prior to the start date of each interest period, plus 1.35% and, from this date onwards, at the 3-month Euribor rate plus 2.35% (step-up of 1.00%). Banif - Banco de Investimento, SA has the option to fully or partially redeem the bonds on any Interest Payment Date from and including 28 May 2017 (First Redemption Date at the Issuer's Option) onwards. To do so, the Bank will need to give bondholders a minimum of 30 days and a maximum of 60 days’ prior notice (this notice is irrevocable). Bonds will be redeemed at par plus any accrued interest on the date selected for redemption. Bank of Portugal must give its prior approval to the exercise of this redemption option. The Bank has already buybacked the amount of 12,822 thousand euros.

24. OTHER LIABILITIES

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Creditors and other resources	1,789	1,118
Other liability transactions pending regularisation	830	703
Payable charges	636	891
Revenues with deferred income	34	13
Stock exchange transactions pending regularisation	-	1,348
Foreign exchange transactions	-	4
	3,289	4,077

In 31 December 2016, the 'creditors and other resources' item includes settlements due to clients in the amount of 1,174 thousand euros and payments to suppliers with settlement dates in 2017, in the amount of 420 thousand euros. On the first quarter of 2017, the amounts due and payable to suppliers were made in the expected dates.

25. EQUITY TRANSACTIONS

As at 31 December 2016 and 2015, the 'Equity Transactions" item had the following breakdown:

	31/12/2016	31-12-2015 Restated
Share capital	126,198	114,440
Other equity instruments	-	11,758
Revaluation reserves of securities	753	755
Reserves and retained earnings		
Legal Reserve	3,300	3,300
Other reserves	14,358	14,844
Special Reserves (REIAD) (note 16)	486	-
Retained Earnings	(117,117)	(77,589)
Profit / (Loss) for the year	(5,791)	(39,528)
	22,187	27,980

In 31 December 2016, the Bank's share capital was increased by 11,758 thousand euros, by means of the conversion of the supplementary contributions paid in by the single shareholder - Oitante, SA. Through this operation, a total of 2,351,674 new shares were issued, with a nominal value of 5 euros each.

As a result of this share capital increase, the Bank's share capital as at 31 December 2016 stood at 126,198 thousand euros, represented by 25,239,674 shares, with a nominal value of 5 euros each.

The revaluation reserves correspond exclusively to the portfolio of financial assets held for sale.

The Bank complies with minimum capital requirements and has a Core Tier 1 ratio of 22.7% and a Total Core Ratio of 24.3%.

The revaluation reserves show the following movements:

Revaluation Reserves	
Balance as at 31-12-2015	**755**
Reserves emerging from the valuation at fair value of the financial assets available for sale	(16)
Reserves recorded in profits / (losses) in year 2016 from the disposal of assets	14
Balance as at 31-12-2016	**753**

26. INTEREST AND SIMILAR INCOME AND INTEREST AND SIMILAR EXPENSES

This item breaks down as follows:

	31/12/2016	**31-12-2015 Restated**
Interest and similar income	427	4,682
Interest on loans to customers	215	1,317
Interest on financial assets held for trading	195	3,305
Interest on financial assets available for sale	12	32
Interest on balances at credit institutions	5	13
Interest on assets with a repurchase agreement	-	15
Interest and similar charges	931	3,872
Interest on customer resources and other loans	474	899
Interest on liabilities held for trading	248	2,107
Interest on resources from credit institutions	185	642
Interest on other subordinated liabilities	24	224

27. INCOME FROM EQUITY INSTRUMENTS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Other entities	458	347
	458	347

28. INCOME AND EXPENSES FROM FEES AND COMMISSIONS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Income from Commissions	4,490	6,670
Rendered services of administration, custodian and deposit of securities	664	1,016
Securities transactions	282	649
Guarantees provided	61	76
Loan Transactions	11	42
Structuring of Transactions	3	18
Other services rendered	897	2,043
Other commissions received		
Custodian commissions	2,269	2,593
Trade commissions	292	223
Others	11	10
Commissions Expenses	365	522
Banking services provided by third parties	292	352
Securities transactions	61	161
Other comissions paid	12	9

29. PROFIT/LOSS ON FINANCIAL OPERATIONS

This item breaks down as follows:

Profit / (Loss) from assets and liabilities valued at fair value through profit or loss

	31/12/2016		31-12-2015 Restated	
	Potential	Effective	Potential	Effective
Securities				
Gains	-	1,007	-	2,911
Losses	(6,412)	(227)	(11,728)	(2,548)
	(6,412)	780	(11,728)	363
Financial Derivative Instruments				
Gains	-	144	-	2,699
Losses	-	(33)	-	(4,834)
	-	111	-	(2,135)
Total	(6,412)	891	(11,728)	(1,772)

Profit / (Loss) from assets available for sale

	31/12/2016	31-12-2015 Restated
Securities		
Gains	24	35
Losses	(1,134)	(45)
Total	(1,110)	(10)

Profit / (Loss) from foreign exchange revaluation

	31/12/2016	31-12-2015 Restated
Foreign exchange differences		
Gains	2,511	2,196
Losses	(2,452)	(2,067)
Total	59	129

The foreign exchange position, by currency, as at 31 December 2016 is presented in note 35.

30. OTHER OPERATING PROFITS/LOSSES

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Other operating income and revenues	755	66
Other operating charges and expenses	(313)	(345)
Other taxes	(202)	(257)
	240	(536)

Other operating income and revenue in 2016 are influenced by:

- Compensation for early termination of the investment consulting agreement with Açoreana Seguros: 318 thousand euros;
- Income associated with renting the 15th floor of Amoreiras to Talkdesk: 219 thousand euros.

31. PERSONNEL COSTS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Remuneration of management and supervisory board members	316	395
Remuneration of employees:		
Monthly remuneration	872	960
Holiday and christmas allowances	191	168
Lunch allowance	54	76
Other additional remunerations	259	294
	1,692	1,893
Compulsory social security charges:		
Charges relating to remuneration	400	448
Charges with pension funds	72	101
Other social security charges	19	23
	491	572
Other personnel costs	239	169
	2,422	2,634

The change in "Other personnel costs" item is justified by the expenditure associated with contractual penalties, which amounted to 112 thousand euros in 2016, compared to 37 thousand euros in 2015.

The Bank and its employees contribute to a defined contribution pension fund managed by Banif Pensões, with members acquiring individual pension rights through the fund.

Some of the Bank's employees have been seconded to subsidiary companies and, as a result, do not incorporate the Bank's operational structure. The balance of the situation of such employees is shown in the table below:

	2016	2015
With a labour agreement with the Bank	70	94
Integrated in the operational structure of the Bank	46	37

32. GENERAL ADMINISTRATIVE COSTS

This item breaks down as follows:

	31/12/2016	31-12-2015 Restated
Water, energy and fuel	81	104
Consumables	30	38
Publications	1	3
Other third-party supplies	-	1
Rents and leases	136	331
Communications	121	138
Travel, accommodation and representation	177	246
Advertising and publications	11	8
Maintenance and repair	19	31
Transport	2	5
Training	47	23
Insurance	9	20
Retainers and legal fees	356	55
Legal, litigation and notary fees	2	13
IT	590	515
Cleaning	-	2
Information	681	786
Studies and consultations	-	10
External advisers and auditors	377	99
External evaluators	59	-
Other specialized services	181	29
	2,880	2,457

Details of the total fees invoiced by the Statutory Auditor for the financial years ending 31 December 2016 and 2015 are as follows, per type of service provided:

Fees charged by the Statutory Auditor	2016	2015
External audit of the accounts	72	41
Other reliability assurance services	33	22
Tax advisory services	-	-
	105	63

Note: The amounts presented above do not include VAT.

Other assurance services includes fees related to the review of the Bank's internal control system, as required by Bank of Portugal Notice no. 5/2008, the review of the specific internal control system for the prevention of money laundering and terrorist financing, as required by Bank of Portugal Notice No. 9/2012, the review of the impairment of the loan portfolio, as required by Bank of Portugal Instruction no. 5/2013 (only in 2015) and the review of procedures and measures related to the safeguarding of client assets, in compliance with No.4 of Article 304-C, of the Securities Code.

The increase in 2016 in retainers and professional fees can be explained essentially by the costs associated with legal and tax services engaged by the Bank. These amounted to 105 thousand euros and 93 thousand euros, respectively.

The increase in 2016 in external consultant costs concerned IT services (116 thousand euros) and the financial monitoring of the sales of affiliated and associated companies (233 thousand euros).

33. RESULTS FROM DISCONTINUED UNITS

Description	2016	2015 Restated
Dividends	2,245	1,955
Impairment	(3,031)	(1,705)
Gains associated to the disposal of associated companies	3,909	-
	3,123	250

The 'associates' item includes the gains achieved on the disposal of the financial holdings in Gamma and Banif Pensões, as detailed in note 11:

- Gamma – Sociedade de Titularização de Crédito: 3,648 thousand euros;
- Banif Pensões: 261 thousand euros.

The change in this sub-item between 2015 and 2016 is justified by the increase in impairment for participation in Banif Capital (see note 11).

34. OFF-BALANCE SHEET RESPONSABILITIES

The breakdown for contingencies and commitments entered into with third parties but not recognised in the Financial Statements, with reference to 31 December 2016 and 2015, is as follows:

Description	31/12/2016	31-12-2015 Restated
Other guarantees provided (of which:)		
Assets given as guarantee	37,706	54,225
Commitments to third parties (of which:)		
Irrevocable commitments	2	497
Revocable commitments	62	1,303
	37,770	56,025

The assets pledged as collateral for the Emergency Liquidity Assistance are the following:

Emergency Liquidity Assistance	31/12/2016	31/12/2015
Banif Imopredial	16,886	20,502
Turirent	6,700	6,607
Banif Imogest	3,800	5,156
Banif Reabilitação Urbana	-	5,736
Banif Property	689	713
Granted Loan (Escala Vila Franca)	-	5,608
Real Estate Assets (Amoreiras)	4,404	4,478
Portuguese OT - intraday	5,227	5,425
	37,706	54,225

As at 31 December 2016, the Bank had the following assets under management:

Assets under management	31/12/2016	31/12/2015
Amounts under the Institution's management	300,531	306,787
	300,531	306,787

35. EARNINGS PER SHARE

Basic earnings per share:

Description	31/12/2016	31-12-2015 Restated
Profit / (Loss) for the year (in euros)	(5,790,780)	(39,528,448)
Weighted average number of ordinary shares issued	22,920,215	17,016,132
Basic earnings per share (euro per share)	(0.25)	(2.32)

36. RISKS OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

36.1 Risk management policies and main risks

Risk management is supervised according to strategies and policies defined by the Board of Directors. Daily management of risks is delegated to the Director Responsible for the Global Risk Department.

In functional terms, the management and monitoring of risk at BBI is centralised in the Global Risk Department (DGR). As a unit, DGR is independent of the risk originating departments and has the organisational and functional autonomy and access to all activities and information it needs to carry out its duties. Its main function is the implementation of an integrated risk management system appropriate to the Bank’s nature and risk profile.

The DGR takes an active role in influencing the decision making process by issuing analyses, opinions, guidelines and recommendations on operations that involve risk taking and ensures that information is regularly reported to the Board of Directors, governing bodies and other relevant persons in management, so that these may understand and monitor the main risks.

a) Credit Risk

Credit risk is the likelihood that there will be future negative impacts on results or capital due to the inability of a counterparty to meet its financial commitments to the Bank, including possible restrictions on the transfer of payments from overseas. Credit risk manifests itself in the possibility of a negative change in the economic value of a given instrument as a result of the deteriorating credit risk of the counterparty (e.g. external ratings).

At BBI, the credit risk underlying the activity results primarily from its bond portfolio and from the loans and guarantees provided to clients as a complementary service to other investment banking activities.

The Bank's policy involves the provision of collateralised credit, namely property mortgages and pledges on securities, amongst other credit services. All collateral is valued at its fair value, based on market value, or by using a model that takes into account the specificities of each type of collateral. In the case of mortgage loans, the Bank takes advice from property valuation companies certified by the CMVM. For loans with pledged securities, there is daily control of the market value of the collateralised positions by an internally developed computer application that produces the necessary alerts for requesting additional margins or execution of guarantees.

The credit risk inherent in bank portfolio securities is controlled through the preparation of specific reports that contain an analysis of the portfolio by credit quality, which is based on external ratings from the major international agencies, in addition to internally developed monitoring models.

Impairment

Credit Risk ultimately appears in the impairment losses carried by the Bank, which are best estimates of losses at a particular reference date, and may be reflected, or not, in actual losses.

It is considered that a loan is impaired if one or more events imply that the recoverable amount will be less than the book value. If there is objective evidence of an impairment causing event, the loss will be calculated as the difference between the book value and the present value of the estimated future cash flows (excluding losses from events that have not yet occurred), discounted at the original interest rate of the contract.

The book value to be considered covers all the amounts carried in the balance sheet for the loan in question, namely principal due, outstanding principal, accumulated interest and overdue interest. Estimated future cash flows included in the calculation referred to contractual loan amounts, adjusted for any amounts that the Bank feels it will not recover and for the time period over which it is foreseeable that such cash flows will occur. The time period for recovery of cash flows is a highly significant variable in calculation of the impairment. This is because, even in cases where the full contractual cash flows owed are likely to be received, but after the contract dates, an impairment loss must be recognised.

BBI has no historical information or portfolio of credit sufficiently large to allow it to carry out a comprehensive study of default frequencies and losses actually incurred (PD and LGD). Thus, impairment losses are primarily determined at an individual level or on a case-by-case basis, taking into account the specific characteristics of the operation and the best estimate of the recoverable value (loans and guarantees) at the valuation date.

The individual impairment level stipulated for an operation analysed on a case-by-case basis follows a prudent approach that takes into account its contractual aspects, the economic and financial situation of the client and the collateral pledged, to which haircuts are applied (for property assets), depending on the nature and liquidity of this collateral. In estimating the future recoverability resulting from these factors, the cash flows are updated to the present moment at the contracted rate.

Financial assets by accounting item

Credit risk analysis of BBI covers its securities portfolio, loans to clients, cash and applications in credit institutions and derivatives.

Financial assets by balance sheet item had the following credit risk exposure as at 31 December 2016 and 2015:

(values expressed in thousand euros)

	Dec-16				Dec-15			
	Gross Exposure[1]	Impairment	Collateral[2]	Effective Exposure[3]	Gross Exposure[1]	Impairment	Collateral[2]	Effective Exposure[3]
Deposits and applications with Credit Institutions	34,770	0	0	34,770	23,750	0	0	23,750
Financial assets held for trading	10,441	0	0	10,441	1,854	0	0	1,854
Other financial assets at fair value through profit or loss	34,713	0	0	34,713	44,751	0	0	44,751
Financial assets available for sale	36,805	10,947	0	25,858	44,888	15,027	0	29,861
Loans and advances to clients	7,451	6,233	312	906	20,047	9,721	7,488	2,838
Held-to-maturity Investments	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	2	0	0	2
Other assets	7,860	878	0	6,982	16,385	970	0	15,415
Sub-Total	**132,040**	**18,058**	**312**	**113,670**	**151,677**	**25,718**	**7,488**	**118,471**
Guarantees provided and Commitments	41,427	2,293	0	39,134	63,424	0	0	63,424
Irrevocable Credit Lines	2	0	0	2	497	0	0	497
Sub-Total	**41,429**	**2,293**	**0**	**39,136**	**63,921**	**0**	**0**	**63,921**
Total Credit Risk Exposure	**173,468**	**20,352**	**312**	**152,806**	**215,598**	**25,718**	**7,488**	**182,392**

[1] **Gross Exposure**: Refers to the gross balance sheet value.

[2] **Collateral:** Value of the collateral associated with na operation limited to its net value.

[3] **Effective Exposure**: Refers to the gross exposure less impairment and the mitigation effect that is deemed as a reducer of the credit risk. It does not include sureties or other low value collateral.

As at 31 December 2016, lending to clients, net of impairment, amounted to about 1.2 million euros. At that date, the collateral coverage ratio was about 25.6% (Mortgage).

As at 31 December 2016, no amounts are carried for reverse repos.

Guarantees provided by the Bank carried as an off-balance sheet item amount to 41 million euros (in December 2015 this figure amounted to 63.4 million euros).

Concentration of credit risk by business sector:

As at 31 December 2016:

(values expressed in thousand euros)

	Dec-16					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Services	202	0%	-	0%	202	0%
Construction	106	0%	-	0%	106	0%
Real Estate Activities	-	0%	-	0%	-	0%
Industry	2,206	2%	-	0%	2,206	2%
Public Sector	15,672	15%	-	0%	15,672	15%
Other sectors	53,805	50%	312	100%	53,493	50%
Retail Sales	0	0%	0	0%	0	0%
Financial institutions and insurance companies	35,008	33%	-	0%	35,009	33%
Private clients	1	0%	-	0%	1	0%
Total	**107,000**	**100%**	**312**	**100%**	**106,688**	**100%**

Notes:
[1] **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

"Other sectors" item mainly (98%) comprises the items of securities.

As at 31 December 2015:

(values expressed in thousand euros)

	Dec-15					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Services	1,120	1%	-	0%	1,120	1%
Construction	107	0%	-	0%	107	0%
Real Estate Activities	-	0%	-	0%	-	0%
Industry	7,839	7%	-	0%	7,839	8%
Public Sector	5,895	5%	-	0%	5,895	6%
Other sectors	71,006	64%	7,284	97%	63,722	62%
Retail Sales	260	0%	0	0%	260	0%
Financial institutions and insurance companies	24,079	22%	-	0%	24,079	23%
Private clients	238	0%	204	3%	34	0%
Total	**110,544**	**100%**	**7,488**	**100%**	**103,056**	**100%**

Notes:
[1] **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

Concentration of credit risk by geographical region:

As at 31 December 2016:

(values expressed in thousand euros)

	Dec-16					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Mainland Portugal	98,923	92%	-	0%	98,923	93%
Autonomous Regions	-	0%	-	0%	-	0%
European Union	6,199	6%	-	0%	6,199	6%
Latin America	659	1%	312	0%	347	0%
North America	183	0%	-	0%	183	0%
Rest of the World	1,036	1%	-	0%	1,036	1%
Rest of Europe	-	0%	-	0%	-	0%
Total	**107,000**	**100%**	**312**	**0%**	**106,688**	**100%**

Notes:
[1] **Effective Exposure**: Refers to the Net Balance Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.
It does not include the item "Other Assets".

As at 31 December 2015:

(values expressed in thousand euros)

	Dec-15					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Mainland Portugal	96,721	87%	7,488	100%	89,233	87%
Autonomous Regions	198	0%	0	0%	198	0%
European Union	10,759	10%	-	0%	10,759	10%
Latin America	934	1%	-	0%	934	1%
North America	304	0%	-	0%	304	0%
Rest of the World	1,628	1%	-	0%	1,628	2%
Rest of Europe	-	0%	-	0%	-	0%
Total	**110,544**	**100%**	**7,488**	**100%**	**103,056**	**100%**

Notes:
[1] **Effective Exposure**: Refers to the Net Balance Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.
It does not include the item "Other Assets".

The following tables present breakdowns of all financial assets by credit quality. The rating notations are mapped from external ratings assigned by the main international agencies Moodys, Fitch and S&P. This mapping followed the standard methodology of the Basel agreement, by selecting the worst of the two best ratings, where there are different ratings for the same asset. Credit positions or securities that do not have an external rating assigned by any of the three major international agencies are classified as Not Rated.

Exposures without an external rating total 88 million euros. These are mostly "Other financial assets at fair value through profit or loss", which amounted to about 34.7 million euros, as at 31 December 2016. This item pertains to investments in unit funds, mainly managed by Banif Gestão de Activos (BGA), an entity fully-owned by BBI.

Breakdown of financial assets by credit quality, per balance sheet item, as of 31 December 2016:

Dec-16 (values expressed in thousand euros)

	HIGH GRADE	STANDARD GRADE	SUB-STANDARD GRADE	NOT RATED	TOTAL
Deposits and applications with Credit Institutions	2,423	205	315	31,827	34,770
Financial assets held for trading	-	260	10,181	-	10,441
Other financial assets at fair value through profit or loss	-	-	-	34,713	34,713
Financial assets available for sale	-	-	5,619	20,239	25,858
Loans and advances to clients				1,218	1,218
Derivatives	-	-	-	-	-
Total	**2,423**	**464**	**16,115**	**87,997**	**107,000**
In %	2.3%	0.4%	15.1%	82.2%	100%

Note:
Net balance sheet exposure. It does not include the item "Other Assets".

As at 31 December 2015, was as follows:

Dec-15 (values expressed in thousand euros)

	HIGH GRADE	STANDARD GRADE	SUB-STANDARD GRADE	NOT RATED	TOTAL
Deposits and applications with Credit Institutions	3,852	450	3,683	15,765	23,750
Financial assets held for trading	-	1,219	415	220	1,854
Other financial assets at fair value through profit or loss	-	-	-	44,751	44,751
Financial assets available for sale	-	-	6,047	23,814	29,861
Loans and advances to clients				10,326	10,326
Derivatives	-	-	2	-	2
Total	**3,852**	**1,669**	**10,147**	**94,876**	**110,544**
In %	3.5%	1.5%	9.2%	85.8%	100%

Note:
Net balance sheet exposure. It does not include the item "Other Assets".

Classification:	
HIGH GRADE	[AAA to A-]
STANDARD GRADE	[BBB+ to BBB-]
SUB-STANDARD GRADE	<= BB+
NOT RATED	NR

With regards to the quality of the credit portfolio, the table below presents the main ratios to BBI, in an individual accounts basis, with reference to 31 December 2016 and to 31 December 2015:

	2016	2015
Credit at risk ratio	43.4%	5.6%
Overdue loans ratio	42.1%	5.3%
Credit at risk coverage ratio	192.6%	991.0%
Overdue loans coverage ratio	198.7%	1035.8%

Comparing to December 2015, there was a deterioration of credit quality ratios, however, the credit coverage ratios remained high. The evolution of these indicators also reflects the impact of the disposal of part of the credit portfolio (5.6 million euros related to Project and Acquisition Finance operations) during the first half of 2016.

b) Market Risk

Market risk is the likelihood that there will be negative impacts on results or on capital due to unfavourable changes in the market price of instruments in the trading book, caused, in particular, by fluctuations in interest rates, exchange rates, listed share prices or the prices of commodities. Market risk derives, above all, from short-term positions in debt and equity securities, currencies, commodities and derivatives.

At BBI, market risk arises primarily from exposures in securities held in the trading book, as is not the Bank's policy to trade derivatives. As a general rule, derivatives are contracted to financially hedge positions, particularly operations with clients, through symmetrical operations with other counterparties that cancel out the market risk between each other. They are also used to hedge own portfolio risks. Thus, and taking into account the business areas in which it operates, the main market risks to which the BBI is subject are those resulting from variations in interest rates, exchange rates and securities market prices.

The Bank uses the Value-at-Risk (VaR) method as its main market risk indicator, to estimate potential losses under adverse market conditions. The system chosen for this purpose, Bloomberg, allows analysing portfolio risk and breaking it down into several explanatory factors. The correlation between assets is also measured, at both the top level and at the different risk disaggregation levels. The DGR monitors the thresholds set by the Board of Directors for the trading book VaR. It also makes daily risk calculations using the historical model.

The following tables present the VaR for BBI's trading book, which, as at 31 December 2016 amounted to approximately 10,441 thousand euros in absolute values, mainly comprised fixed-income securities and there was no exposure to shares.

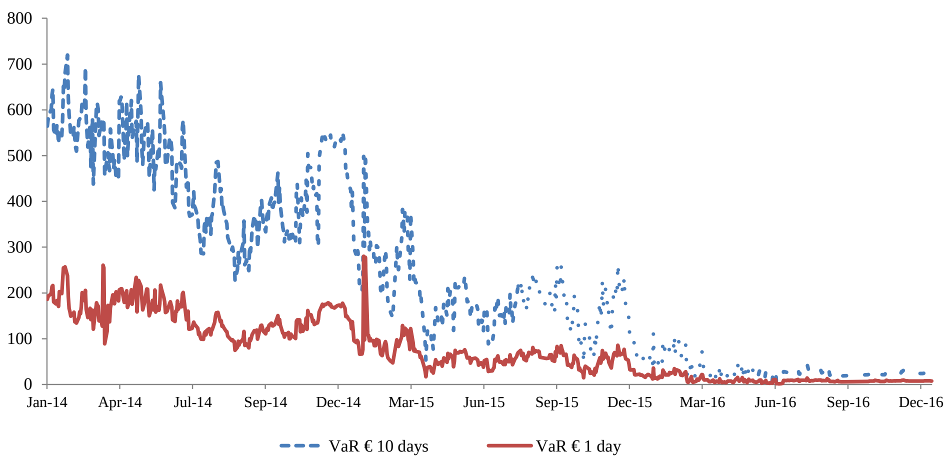
	Portfolio Value		
	TOTAL €th	Long Pos. €th	Short Pos. €th
31/12/2015	1,468	2,045	(577)
31/12/2016	10,441	10,441	-

The Bloomberg specialised software was used to calculate this risk metric. The VaR was calculated using the historical model, for 10-day and 1-day horizons, with a 99% confidence interval. A two-year observation period was applied, as per international good practice.

As at 30 December 2016, the 10-day VaR of the trading book was about 24 thousand euros, representing 0.24% of the net market value of the portfolio. The 1-day VaR was approximately 0.01 thousand euros, representing 0.08% of the net market value of the portfolio.

	VaR 10 days		VaR 1 day	
	€th	%	€th	%
31/12/2015	63.2	4.25%	20.8	1.40%
31/12/2016	24.2	0.24%	0.0	0.08%

The chart below plots the daily change in VaR over the last two years.



Source: BarraOne/Bloomberg.

	VaR 10 day				VaR 1 dia	
	Date	€th	%	Date	€th	%
Minimum	24/jun/16	3.15	9.0%	24/jun/16	1.41	4.0%
Average	-	32.6	11.29%	-	10.5	3.71%
Maximum	21/jan/16	111.4	3.98%	21/jan/16	36.0	1.29%

Throughout the year, the trading book VaR remained within the defined limits. It reached a minimum for the year on 24 June (3.15 thousand euros – 10 days) and a maximum on 21 January (111.4 thousand euros – VaR 10 days).

c) Exchange Rate Risk

Exchange rate risk is the likelihood that financial assets denominated in foreign currency will fluctuate in value as a result of changes in exchange rates.

The Bank systematically monitors its overall exposure to exchange rate risk by implementing a daily routine for calculating the exchange position for the major currencies. This covers spot positions resulting primarily from trading in the securities portfolio as well as variations in the company's net earnings (potential or realised) resulting from conversions of the balances of each account using the ECB fixing.

The following table summarises the foreign exchange position of BBI, by currency, as at 31 December 2016:

Currency	Long Position	Short Position
USD	1,476	
GBP	69	
CHF	40	
BRL	0	
SEK	4	
NOK	2	
AUD	2	
JPY	0	
HKD	0	
Others	6	
CAD		1
PLN		6
Total	1,598	7

Note: Net position

As at 31 December 2015, these positions were as follows:

Currency	Long Position	Short Position
USD	3,105	
GBP	248	
CHF	132	
BRL	77	
SEK	4	
NOK	3	
AUD	2	
JPY	0	
HKD	0	
Others	0	
CAD		0
PLN		6
Total	3,572	7

Note: Net position

As at 31 December 2016, the largest exposures were in USD. These long positions were worth around 1,476 thousand euros (93% of total exposure). The remaining currencies were largely insignificant.

d) Interest Rate Risk

Interest rate risk is the likelihood of future financial losses (in earnings or capital) generated by adverse movements in interest rates, taking into account an institution's balance sheet structure. This type of risk is systematically analysed from a long-term perspective. This analysis focuses on exposures in the banking book as a function of resetting periods, as per the recommendations of the New Basel Accord and Bank of Portugal (Notice no. 19/2005).

Assessment of interest rate risk in the trading book is as part of the market risk analysis, with its short-term horizon, given that this book is managed on a daily basis.

The Bank's regularly produced exposure control reports include calculations of the assets and liabilities by maturity date in overall terms. The banking and trading books are analysed separately, by major currencies, to highlight any inadequacy in the rate resetting periods for assets and liabilities.

The breakdown for financial assets and liabilities by interest rate resetting period, as at 31 December 2016, was as follows:

(values expressed in thousand euros)

Dec-16		Residual Maturities								
	Non Sensitive	UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Sensitive	TOTAL
Assets										
Money market / liquidity	34,570	0	0	200	0	0	0	0	200	34,770
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	1,082	0	0	0	0	136	0	0	136	1,218
Debt Securities & Derivatives MtM	0	10,006	0	5,278	594	181	0	0	16,059	16,059
Shares & Funds	54,952	0	0	0	0	0	0	0	0	54,952
Other Assets	17,567	0	0	0	0	0	0	0	0	17,567
Total Assets	**108,171**	**10,007**	**0**	**5,478**	**594**	**317**	**0**	**0**	**16,395**	**124,567**
Liabilities										
Money market/ Loro Accounts	363	0	0	0	0	0	0	0	0	363
Term Deposits	38	51,476	576	0	0	0	0	0	52,051	52,089
On-demand Deposits	40,914	0	0	0	0	0	0	0	0	40,914
Subordinated Debt	2	2,178	0	0	0	0	0	0	2,178	2,180
Other Liabilities	6,833	0	0	0	0	0	0	0	0	6,833
Equity	22,187	0	0	0	0	0	0	0	0	22,187
Total Liabilities + Equity	**70,337**	**53,654**	**576**	**0**	**0**	**0**	**0**	**0**	**54,229**	**124,567**
GAP	**37,834**	**-43,647**	**-576**	**5,478**	**594**	**317**	**0**	**0**	**-37,834**	**--**
CUMULATIVE GAP		**-43,647**	**-44,223**	**-38,744**	**-38,151**	**-37,834**	**-37,834**	**-37,834**	**--**	**--**

Note: Values net of impairment.

As at 31 December 2016, 87% of BBI's assets and 56% of its total liabilities and equity were not sensitive to interest rate risk and were not affected by interest rate swings, in terms of re-setting scales.

As at 31 December 2015, this was as follows:

(values expressed in thousand euros)

Dec-15		Residual Maturities								
	Non Sensitive	UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Sensitive	TOTAL
Assets										
Money market / liquidity	23,750	0	0	0	0	0	0	0	0	23,750
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	4,431	9	5,708	0	0	179	0	0	5,895	10,326
Debt Securities & Derivatives MtM	454	83	0	70	5,992	874	727	153	7,899	8,353
Shares & Funds	68,115	0	0	0	0	0	0	0	0	68,115
Other Assets	31,671	0	0	0	0	0	0	0	0	31,671
Total Assets	**128,421**	**92**	**5,708**	**70**	**5,992**	**1,052**	**727**	**153**	**13,794**	**142,215**
Liabilities										
Money market/ Loro Accounts	10,300	12,500	0	0	0	0	0	0	12,500	22,800
Term Deposits	33	5,313	830	2,500	0	0	0	0	8,643	8,677
On-demand Deposits	62,471	9,897	0	0	0	0	0	0	9,897	72,368
Subordinated Debt	3	2,178	0	0	0	0	0	0	2,178	2,181
Other Liabilities	7,265	0	0	0	0	0	0	0	0	7,265
Equity	27,980	0	0	0	0	0	0	0	0	27,980
Total Liabilities + Equity	**108,509**	**29,888**	**830**	**2,500**	**98**	**390**	**0**	**0**	**33,706**	**142,215**
GAP	**19,912**	**-29,795**	**4,877**	**-2,430**	**5,894**	**662**	**727**	**153**	**-19,911**	**--**
CUMULATIVE GAP		**-29,795**	**-24,918**	**-27,348**	**-21,454**	**-20,792**	**-20,064**	**-19,911**	**--**	**--**

Note: Values net of impairment.

The table below presents a sensitivity analysis of the interest rate risk for the banking book, based on the reports to the regulator. This analysis is based on a standard interest rate shock of 200 basis points and the impact of this on the total equity and annual net interest income, in individual terms. The analysis is based on the assumptions made in accordance with Bank of Portugal Instruction 19/2005.

Dec-16

(values expressed in thousand euros)

Remaining Term	Assets	Liabilities	Off-Balance Sheet		Position	Total Equity	
						Weighting factor	Weighted exposure
	(+)	(-)	(+)	(-)	(+/-)	(1)	(2)
<= 1 month	0	3,374	0	0	-3,374	0.08%	3
> 1 and <= 3 months	0	50,279	0	0	-50,279	0.32%	161
> 3 and <= 6 months	0	576	0	0	-576	0.72%	4
> 6 and <= 12 months	5,426	0	0	0	5,427	1.43%	-78
> 1 and <= 2 years	392	0	0	0	392	2.77%	-11
> 2 and <= 3 years	0	0	0	0	0	4.49%	0
> 3 and <= 4 years	136	0	0	0	136	6.14%	-8
> 4 and <= 5 years	0	0	0	0	0	7.71%	0
> 5 and <= 7 years	0	0	0	0	0	10.15%	0
> 7 and <= 10 years	0	0	0	0	0	13.26%	0
> 10 and <= 15 years	0	0	0	0	0	17.84%	0
> 15 and <= 20 years	0	0	0	0	0	22.43%	0
> 20 years	0	0	0	0	0	26.03%	0
	5,954	54,229	0	0			71
Non Sensitive	108,171	70,337	0	0			

(values expressed in thousand euros)

Remaining Term	Assets	Liabilities	Off-Balance Sheet		Position	Interest Margin	
						Weighting factor	Weighted exposure
	(+)	(-)	(+)	(-)	(+/-)	(1)	(2)
<= spot	0	0	0	0	0	2.00%	0
> spot and <= 1 month	0	3,375	0	0	-3,375	1.92%	-65
> 1 and <= 2 months	0	16,923	0	0	-16,923	1.75%	-296
> 2 and <= 3 months	0	33,356	0	0	-33,356	1.58%	-527
> 3 and <= 4 months	0	119	0	0	-119	1.42%	-2
> 4 and <= 5 months	0	160	0	0	-160	1.25%	-2
> 5 and <= 6 months	0	297	0	0	-297	1.08%	-3
> 6 and <= 7 months	0	0	0	0	0	0.92%	0
> 7 and <= 8 months	0	0	0	0	0	0.75%	0
> 8 and <= 9 months	0	0	0	0	0	0.58%	0
> 9 and <= 10 months	5,227	0	0	0	5,227	0.42%	22
> 10 and <= 11 months	200	0	0	0	200	0.25%	1
> 11 and <= 12 months	0	0	0	0	0	0.08%	0
	5,427	54,229	0	0			-872
Non Sensitive	108,171	70,337	0	0			

Sensitivity analysis of the impact of a 200 basis point change in the interest rate curve, by relevant currencies, as at 31 December 2016 and 31 December 2015:

SENSITIVITY ANALYSIS - BANKING BOOK INTEREST RATE RISK - BBI

(values expressed in thousand euros)

		Dec-16	Dec-15
EUR	Impact on Total Equity	71	-165
	Own Funds	22,502	28,723
	Impact on Own Funds, in %	**0%**	**-1%**
	Impact on Net Interest Income, at 12 month	-872	-524
	Net Interest Income	-504	812
	Impact on Net Interest Income annual, in %	**173%**	**-65%**
USD	Impact on Total Equity	0	0
	Own Funds	22,502	28,723
	Impact on Own Funds, in %	**0%**	**0%**
	Impact on Net Interest Income, at 12 month	0	0
	Net Interest Income	-504	812
	Impact on Net Interest Income annual, in %	**0%**	**0%**
TOTAL	Impact on Total Equity	71	-165
	Own Funds	22,502	28,723
	Impact on Own Funds, in %	**0%**	**-1%**
	Impact on Net Interest Income, at 12 month	-872	-525
	Net Interest Income	-504	812
	Impact on Net Interest Income annual, in %	**173%**	**-65%**

The results of the sensitivity analysis suggest that a rise in market rates will have a negative impact on Net Interest Income and a marginally positive impact on Net Worth. The impact on Net Interest Income is a direct outcome of the structure of the banking portfolio, with its concentration of interest rate risk at shorter intervals for liability items and at longer intervals for asset items.

e) Liquidity Risk

Liquidity risk is the likelihood of negative impacts caused by the institution's lack of the immediately available liquid funds required for timely fulfilment of its financial obligations, and whether such fulfilment is carried out under reasonable conditions. At BBI, liquidity levels are adapted to the amounts and terms of commitments and funding inflows and to the identification of gaps.

To maximise the structural risk management component of the balance sheet, BBI has an operational unit that defines and implements financial policies, particularly in terms of liquidity and treasury management.

The breakdown for financial assets and liabilities by residual maturity period, as at 31 December 2016, was as follows:

(values expressed in thousand euros)

Dec-16	Non Sensitive	UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Interest Rate	TOTAL
		Residual Maturities								
Assets										
Money market / liquidity	34,570	0	0	200	0	0	0	0	200	34,771
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	1,082	0	0	0	0	136	0	0	136	1,218
Debt securities	0	10,006	0	5,278	594	181	0	0	16,059	16,059
Shares & Investment Funds	54,952	0	0	0	0	0	0	0	0	54,952
Other Assets	17,567	0	0	0	0	0	0	0	0	17,567
Total Assets	**108,171**	**10,007**	**0**	**5,478**	**594**	**317**	**0**	**0**	**16,395**	**124,567**
Liabilities										
Money market/ Loro accounts	363	0	0	0	0	0	0	0	0	363
Term Deposits	38	51,476	576	0	0	0	0	0	52,051	52,089
On-demand Deposits	40,914	0	0	0	0	0	0	0	0	40,914
Subordinated Debt	2,180	0	0	0	0	0	0	0	0	2,180
Securities Portfolio (short)	0	0	0	0	0	0	0	0	0	0
Other Liabilities	6,833	0	0	0	0	0	0	0	0	6,833
Equity	22,187	0	0	0	0	0	0	0	0	22,187
Total Liabilities + Equity	**72,515**	**51,476**	**576**	**0**	**0**	**0**	**0**	**0**	**52,051**	**124,567**
GAP	**37,834**	**-41,469**	**-576**	**5,478**	**594**	**317**	**0**	**-2,178**	**-37,834**	
CUMULATIVE GAP	**---**	**-41,469**	**-42,045**	**-36,566**	**-35,973**	**-35,656**	**-35,656**	**-37,834**	**---**	**---**
Off-Balance										
Derivatives - Asset		0	0	0	0	0	0	0	0	0
Derivatives - Liabilities		0	0	0	0	0	0	0	0	0
Off- Balance Gap		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Off-Balance Gap	**---**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**---**	**---**
Total Structural GAP	**37,834**	**-41,469**	**-576**	**5,478**	**594**	**317**	**0**	**-2,178**	**-37,834**	**0**
CUMULATIVE GAP	**---**	**-41,469**	**-42,045**	**-36,566**	**-35,973**	**-35,656**	**-35,656**	**-37,834**	**---**	**---**

Note: Values net of impairment.

The most significant liquidity gap, which is found in the 'up to 3 months' interval, is managed by means of intervention on the liabilities side. Of the 51.5 million euros of liabilities that have maturities of up to 3 months, 33.2 million euros relate to a treasury support loan made by Oitante, SA (resulting from the formalisation of the amount taken from the treasury line of Banif, SA when this was subject to resolution in December 2015). This loan has a term of 3 months and is successively and automatically renewable, unless the arrangement is terminated by one of the parties. Given the creditor in question, it is assumed that the loan will remain in place until BBI's share structure is changed. As regards the remaining amounts carried as Term Deposits, the Bank is working proactively with its clients, applying its selling power to persuade them to renew these deposits.

As at 31 December 2015, this was as follows:

(values expressed in thousand euros)

Dec-15	Non Sensitive	UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS	Total Interest Rate	TOTAL
		Residual Maturities								
Assets										
Money market / liquidity	23,750	0	0	0	0	0	0	0	0	23,750
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	4,431	9	100	0	0	179	5,608	0	5,895	10,326
Debt Securities	454	83	0	70	5,992	874	727	153	7,899	8,353
Shares & Investment Funds	68,115	0	0	0	0	0	0	0	0	68,115
Other Assets	31,671	0	0	0	0	0	0	0	0	31,671
Total Assets	**128,421**	**92**	**100**	**70**	**5,992**	**1,052**	**6,335**	**153**	**13,794**	**142,215**
Liabilities										
Money market / Loro accounts	10,300	12,500	0	0	0	0	0	0	12,500	22,800
Term Deposits	33	5,313	830	2,500	0	0	0	0	8,643	8,677
On-demand Deposits	62,471	9,897	0	0	0	0	0	0	9,897	72,368
Subordinated Debt	3	0	2,178	0	0	0	0	0	2,178	2,181
Securities Portfolio (short)	456	0	0	0	98	390	0	0	488	944
Other Liabilities	7,265	0	0	0	0	0	0	0	0	7,265
Equity	27,981	0	0	0	0	0	0	0	0	27,981
Total Liabilities + quity	**108,509**	**27,710**	**3,008**	**2,500**	**98**	**390**	**0**	**0**	**33,706**	**142,215**
GAP	**19,912**	**-27,617**	**-2,908**	**-2,430**	**5,894**	**662**	**6,335**	**153**	**-19,911**	
CUMULATIVE GAP	**---**	**-27,617**	**-30,525**	**-32,955**	**-27,062**	**-26,399**	**-20,064**	**-19,911**	**---**	**---**
Off-Balance										
Derivatives - Assets		1,120	0	0	0	0	11,203	0	12,322	12,322
Derivatives - Liabilities		1,121	0	0	0	0	11,203	0	12,323	12,323
Off- Balance Gap		**-1**	**0**	**0**	**0**	**0**	**0**	**0**	**-1**	**-1**
Cumulative Off-Balance Gap	**---**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**---**	**---**
Total Structural GAP	**19,911**	**-27,618**	**-2,908**	**-2,430**	**5,894**	**662**	**6,335**	**153**	**-19,912**	**-1**
CUMULATIVE GAP	**---**	**-27,618**	**-30,526**	**-32,956**	**-27,062**	**-26,400**	**-20,065**	**-19,912**	**---**	**---**

Note: Values net of impairment.

There is intraday monitoring of the liquidity position and daily liquidity reports are produced by the Financial Department, which prospectively applies a conservative scenario for the changes in liquidity. The daily liquidity report addresses 4 liquidity change scenarios, including the release of term deposits and the withdrawal of demand deposits.

In addition, the Financial Department monitors the balance of BBI's account with Banco de Portugal in real time, through direct access to the system. Control of the balances of other accounts (including Clearstream or those with other credit institutions) is carried out by the Operational Support Unit (which is part of the Operations, Systems and Human Resources Department), which sends them to the Financial Department daily.

This is also daily monitoring of deposit concentration (demand and term) levels, as well as the balance of the accounts of clients with greater exposure to BBI.

36.2 Capital Ratios

At 31 December 2016, the common equity Tier 1 (CET 1) capital calculated in accordance with the applicable CRD IV / CRR rules in 2016 amounted to 21 million euros, corresponding to a CET 1 ratio of 22.7%. The improvement in 12.3 pp of the Common Equity Tier 1 ratio was influenced by the 37% reduction in risk-weighted assets and the increase in CET 1, following the conversion of 11.8 million euros of Oitante's supplementary capital (*prestações acessórias de capital*) into share capital (see note 25).

Capital Ratios Evolution

(values expressed in thousand euros)

(As per Basel III regulation)

	CRD IV / CRR phased-in 2015 and 2016	
	dec-16	dec-15
Common Equity Tier 1 capital	21,023	15,239
Total Own Funds	22,502	28,723
Risk Weighted Assets (RWAs)	92,642	146,701
Of which:		
Credit Risk	*76,957*	*114,243*
Market Risk	*2,127*	*6,425*
Operational Risk	*13,558*	*18,483*
CVA	*0*	*7,551*
Common Equity Tier 1 Ratio	22.7%	10.4%
Solvency Ratio	24.3%	19.6%
Leverage Ratio	18.3%	11.9%

Note: The Leverage Ratio is calculated using Tier 1 Capital and Total Assets together with Off-Balance Sheet exposures, not subject to any coefficient weighing as used to calculate Risk-Weighted Assets.

Source: COREP.

BBI uses the standard method for the determination of credit risk-weighted assets, which is the most significant risk accounting for about 83% of risk-weighted assets. Regarding operational risk, the second most relevant (14.6% of the total) the Bank uses the basic indicator method.

At 31 December 2016, risk-weighted assets amounted to 92.6 million euros (on a phased-in basis) and accounted for 74.4% of total net assets.

As at 31 December 2016, the Bank was not compliant with the large exposures limit in accordance with article 395 of the Regulation (EU) No. 575/2013, of the European Parliament and of the Council, as of 26 June 2013. The action plan in order to solve this breach, in coordination with the Regulatory Authority, is being approved under the ongoing negotiations held between the Bank's current shareholder and the prominent-buyer.

37. FAIR VALUE OF THE SECURITIES PORTFOLIO AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments is always estimated, where possible, through reference to active market listings. A market is deemed active and liquid when it is used by equally knowledgeable counterparts and transactions are carried out in a regular manner. For these financial instruments for which there is no active market, due to a lack of liquidity or of regular transactions, valuation methods and techniques are employed to determine the fair value. The financial instruments were classified into levels according to the hierarchy stipulated in IFRS 13.

Financial instruments carried on the balance sheet at fair value

As at 31 December 2016 and 2015, this item breaks down as follows:

2016	Valuation Techniques			
	Market Value or Market Price	Market Analysis	Others	Total
Assets				
Financial assets held for trading	10,441	-	-	10,441
Financial assets available for sale	9,499	-	16,359	25,858
Other financial assets at fair value through profit or loss	7,498	-	27,215	34,713
Liabilities				
Financial liabilities held for trading	-	-	-	-

2015	Valuation Techniques			
	Market Value or Market Price	Market Analysis	Others	Total
Assets				
Financial assets held for trading	1,854	2	-	1,856
Financial assets available for sale	10,622	-	19,239	29,861
Other financial assets at fair value through profit or loss	8,489	-	36,262	44,751
Liabilities				
Financial liabilities held for trading	-	944	-	944

The analysis in the table above is based on the following assumptions:

1) Market values (Level 1): financial instruments valued on the basis of active market prices were placed in this column;

2) Market analysis (Level 2): financial instruments valued on the basis of internal models using observable market inputs were placed in this column;
3) Others (Level 3): Financial instruments valued on the basis of non-observable market variables were placed in this column. This level includes bonds and units in investment funds.

No changes have been made to the valuation criteria, as used in 2016, with regard to financial assets that are classified under the market analysis valuation technique.

In the in-house models for the valuation of financial instruments for trading and at fair value through profit or loss, market interest rates are calculated on the basis of information published by Bloomberg. For maturities of up to one year they are indexed to the interbank money market rates, while, for longer maturities, they are indexed to prices for interest rate swaps. The interest rate curve thus obtained is further adjusted against the values of short-term interest rate futures. Interest rates for specific maturities are determined using interpolation methods. The same interest rate curves are also used for forecasting non-deterministic cash flows, such as reference rates.

The interest rates used to calculate the interest rate curve with reference to 31 December 2016 and 2015, for the euro and the USD, are as follows:

	EUR		USD	
Maturity	2016	2015	2016	2015
1 day	-0.320%	-0.127%	0.412%	0.275%
7 days	-0.351%	-0.249%	0.439%	0.390%
15 days	-0.346%	-0.236%	-	-
1 month	-0.338%	-0.205%	0.496%	0.430%
2 months	-0.299%	-0.165%	0.598%	0.515%
3 months	-0.265%	-0.131%	0.744%	0.613%
6 months	-0.165%	-0.040%	1.058%	0.846%
9 months	-0.098%	0.004%	-	-
1 year	-0.035%	0.060%	1.376%	1.178%
2 years	-0.174%	-0.029%	0.990%	1.158%
3 years	-0.141%	0.063%	1.104%	1.397%
4 years	-0.081%	0.196%	1.208%	1.569%
5 years	0.000%	0.331%	1.304%	1.711%
6 years	0.098%	0.479%	1.396%	1.831%
7 years	0.206%	0.620%	1.480%	1.935%
8 years	0.318%	0.757%	1.555%	2.023%
9 years	0.426%	0.886%	1.622%	2.099%
10 years	0.523%	1.001%	1.682%	2.167%
20 years	1.003%	1.546%	2.001%	2.507%
30 years	1.045%	1.613%	2.080%	2.594%

Financial instruments at cost or amortised cost

As at 31 December 2016, this item breaks down as follows:

2016	Balance Sheet Value	Fair Value
Cash and balances at central banks	31,827	31,827
Balances at other credit institutions	2,743	2,743
Loans and advances to customers and other receivables	1,218	1,218
Other assets	6,982	6,982
Resources from other credit institutions	3,075	3,075
Resources from customers and other loans	90,292	90,292
Other subordinated liabilities	2,180	550
Other liabilities	3,289	3,289

As at 31 December 2015, this item breaks down as follows:

2015 Restated	Balance Sheet Value	Fair Value
Cash and balances at central banks	15,763	15,763
Balances at other credit institutions	7,987	7,987
Loans and advances to customers and other receivables	10,326	10,326
Other assets	15,415	15,415
Resources from other credit institutions	13,155	13,155
Resources from customers and other loans	78,190	78,190
Other subordinated liabilities	2,181	550
Other liabilities	4,077	4,077

For financial instruments carried on the balance sheet at amortised cost, the Bank calculates the respective fair value using valuation techniques.

The fair value given here may not equate to the realised value of these financial instruments in a sales or liquidation scenario and have not been determined with this objective in mind.

The valuation techniques used by the Bank seek to make use of the market conditions applicable to similar operations at the reference date for the financial statements, namely the value of the respective cash flows, discounted using the interest rates deemed most appropriate.

For variable yield short-term loans not in default, the balance sheet value is deemed to be the best approximation of fair value.

38. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are analysed in accordance with the criteria applicable to similar third-party operations and are conducted under normal market conditions. These operations are subject to the approval of the Board of Directors.

	2016	2015	2016	2015	2016	2015
	Key Management Staff		Shareholders		Group Entities	
Loan and advances to customers	-	-	-	-	797	772
Other assets	-	-	-	-	511	1,666
Resources from customers and other loans	-	-	34,748	34,764	8,707	19,464
Other liabilities	-	-	14	-	286	259
Income from equity instruments	-	-	-	-	2,245	1,955
Income from services rendered and commissions	-	-	427	1,126	880	399
Personnel costs	316	395	-	-	-	-

The applicable rates to the loans and resources with related parties are presented in the following table:

	Interest rates	
	Shareholders	Group Entities
Loans and advances to customers	-	0%
Resources from customers and other loans	1%	[0% - 1%]

The related parties are the following:

<u>Key Members of Management:</u>

Carla Sofia Pereira Dias Rebelo

António Manuel Gouveia Ribeiro Henriques

Bernardo Maya Múrias Afonso

<u>Group Entities:</u>

Banif Imobiliária

Vegas Altas

Banca Pueyo

WIL

BIAM

Banif Gestão Activos

Banif Capital

Banif Multi Fund

MC02

Pabyfundo

Banif US Real Estate

Art Invest

Imogest

Banif Renda Habitação

Banif Gestão Imobiliária

Gestarquipark

Banif Real Estate Polska

Tiner Polska

Imopredial

Pedidos Liz

Banif Property

Turirent
Porto Novo
GCC Lisboa
Aplicação Urbana XIII
Aplicação Urbana XIV
Citation
Banif Portugal Crescimento

39. EVENTS AFTER THE BALANCE SHEET DATE

As at the date of approval of these Financial Statements by the Bank's Board of Directors, there had been no events subsequent to 31 December 2016, the reference date for the Financial Statements, which would require adjustments or modifications to the figures given for assets or liabilities, under the terms of IAS 10 – Events after the balance sheet date.

On 20 December 2015, the resolution measure decided on by Bank of Portugal was applied to Banif – Banco Internacional do Funchal, SA. This resulted in the ownership of the share capital of Banif - Banco de Investimento SA being transferred to an asset management vehicle named Oitante, SA, whose share capital is held by the Resolution Fund.

In these particularly difficult circumstances, defined by the materially relevant consequences of the resolution measure for the BBI Group's business activity, given the strong links between BBI Group companies and Banif - Banco Internacional do Funchal, SA, in terms of business opportunities, shared operational services and also liquidity and capital, the new BBI Board of Directors, appointed in February 2016, began its term of office with a number of very precise objectives in mind and with the full cooperation of Oitante, SA. The objectives revolved around stabilising the Bank's business activities, to ensure that it was in a fit state to pass into the hands of the new shareholder and so that a new strategic direction could be taken, one that would lead to the restructuring of the Bank's balance sheet, the sale of non-strategic assets and the start of the process of selling the Bank.

Throughout 2016, there was a specific focus on making BBI operationally independent of the corporate structure and central services of its current shareholder, Oitante, SA.

The sale of BBI was completed on 11 August 2016, following the announcement by Oitante, SA of the share and shareholder credit purchase and sale agreement that had been agreed with Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Capital"), for the purposes of selling Oitante's holding in the Bank. The conclusion of this process is dependent on the consent of the regulatory bodies.

The current management team is firmly convinced that once the requisite authorisations for the sale of BBI to Bison Capital have been obtained from the regulator, the Bank can become an innovative player in a banking market that is undergoing significant transformation.

09

CORPORATE GOVERNANCE REPORT

The following information on Corporate Governance complies with the requirements set out in subparagraph b) of no. 2 of article 70 of the Portuguese Companies Code ("Código das Sociedades Comerciais") and in article 3 of Law no. 28/2009, of 19 June.

I. Corporate Governance Structure and Practices

I.1 Governance Structure

The Company is structured according to the Latin Model (Reinforced), as per subparagraph a) of no. 1 of article 278 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

Management of the Company is entrusted to a Board of Directors (article 18 and following of the Articles of Association) composed of a minimum of 3 and a maximum of 15 members. Members are elected for three-year mandates, without prejudice to their reelection. The Board of Directors is appointed by the General Meeting, as stipulated in no. 1 of article 18 of the Articles of Association and no. 1 of article 391 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

Supervision of the Company is entrusted to a Supervisory Board (article 25 and following of the Articles of Association) and a statutory auditor, as per subparagraph b) of no. 1 of article 413 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

The Supervisory Board, composed of three effective members and one alternate member, is elected by the General Meeting, as per no. 1 of article 415 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

The Statutory Auditor is also appointed by the General Meeting, and under the recommendation of the Supervisory Board, as stipulated in no. 4 of article 25 of the Articles of Association and no. 1 of article 446 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

The duties of day-to-day management of the Company may be delegated to an Executive Committee composed of members drawn from the Board of Directors, as provided for in no. 1 of article 22 of the Articles of Association and no. 3 of article 407 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

I.2 General Meeting

I.2.1 Identification of the members of the Board of the General Meeting

Under the terms of no. 1 of article 12 of the Articles of Association, the Board of the General Meeting is composed of a chairman and one or two company secretaries.
The members of the Board of the General Meeting identified below were appointed to the respective positions, performing duties for the three-year period 2015-2017.
Chairman: Miguel José Luís de Sousa
Company Secretary: Ângela Maria Simões Cardoso Seabra Lourenço

I.2.2 Indication of the start and end dates for the respective terms of office

The above mentioned members of the Board of the General Meeting were elected at the company's General Meeting held on 22 September 2015, for the 2015-2017 three-year period, which ends on 31 December 2017.

I.2.3 Indication of the prior notice required for blocking shares for the purposes of participating in the General Meeting

Under article 15 of the company's Articles of Association, any shareholder entitled to at least one vote, by law and as per the Articles, may attend the general meeting and discuss and vote on the agenda points.

Each 100 (one hundred) shares corresponds to 1 (one) vote at the general meeting.

Under the same article, a shareholder's right to participate in, and vote at, General Meetings, once all legal requirements have been met, depends on the shareholder having sufficient book-entry shares in their own name to entitle them to one vote at least 6 (six) days before the date scheduled for the meeting. These shares must remain on the Company's share register in its name at least until the General Meeting is ended.

Additionally, the Company's shares transferred to a new owner in the 5 (five) days preceding the date initially set for the Company's General Meeting will not entitle the new owner to attend, participate and vote in the General Meeting of shareholders.

I.2.4 Indication of the rules applying to the blocking of shares when the General Meeting is suspended

Under no. 3 of article 15 of the articles of association, shareholders must keep their shares in their name on the Company's share register until the General Meeting has closed.

I.2.5 Number of shares that correspond to one vote

Under the provisions of no. 2 of article 15 of the Company's articles of association, each 100 (one hundred) shares corresponds to 1 (one) vote.

Under no. 1 of article 17 of the articles of association, shareholders holding a lesser number of shares than the number of shares required for participating in the General Meeting may group together so as to jointly accumulate the number of shares necessary to exercise the right to vote, and be represented by one of the group members or by any other shareholder with voting rights. Any such arrangements should be indicated in a letter addressed to the Chairman of the Board of General Meeting.

I.2.6 Indication of shareholders with special rights and a description of such rights

As at 31 December 2016, there were no shareholders with special rights.

I.2.7 Indication of articles of association rules that provide for the possibility of non-voting shares or those that stipulate that voting rights above a certain number shall not count, when such votes are cast by a single shareholder or by related shareholders.

No. 2 of article 4 of the articles of association stipulates that the Company has the ability to issue any kind of shares, namely preference shares.
These shares may be redeemable or not redeemable, such redemption being at the nominal value, with or not, the addition of a premium as decided by the competent body.

The articles of association do not stipulate any limit as to the number of voting rights.

I.2.8 The existence of articles of association rules on the exercise of voting rights, including constitutive and decision-making quorums or systems for the stripping of equity rights.

The articles of association rules on the exercise of voting rights, and specifically as regards constitutive and decision-making quorums, are in line with the provisions of the Portuguese Companies Code ("*Código das Sociedades Comerciais*"). Parity exists between the articles of association (as per article 11 and following of the articles of association) and the legal framework (as per articles 383 and 386 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*")). There are no articles of association rules pertaining to the stripping of equity rights.

I.2.9 The existence of articles of association rules on the exercise of voting rights via postal voting.

Under no. 5 of article 17 of the articles of association, shareholders may exercise their right to vote by post, in the following terms:

a) The postal ballot must be received by the company up to 5 pm of the business day immediately preceding the date scheduled for the General Meeting, otherwise it shall not be accepted.
b) The postal ballot should indicate the agenda points to which it refers and, where appropriate, to the specific decision proposal to which it relates. For decision proposals submitted after the postal ballot was filled out, the vote will count as a vote against the proposal;
c) The fact that the company may provide a standard postal ballot for each General Meeting does not invalidate any postal vote made using a non-standard form, provided this is intelligible and unequivocal;
d) The ballot paper should be addressed to the Chairman of the Board of the General Meeting, who will check its authenticity and ensure that it remains confidential until the vote actually takes place;
e) Postal votes will count towards the constitutive quorum required for the General Meeting for which they are issued and, unless indicated otherwise, they will also count in the same manner for any second convening of the same meeting.

I.2.10 Exercising the right to vote by electronic means.

There is no provision for the exercise of voting rights by electronic means.

I.2.11 Any restrictions on the right to vote, such as restrictions on voting rights that depend on the shareholder holding a certain number or percentage of shares, deadlines for exercising voting rights, or systems for detaching equity rights.

Without prejudice to the information in the previous points, namely point I.2.5, there are no restrictions on voting rights.

I.2.12 Information on the General Meeting's intervention in the Company's remuneration policy of the members of the Board of Directors and Other Managers

The remuneration of members of corporate and statutory bodies is set by a Remuneration Committee, whose 3 members are directly elected by the General Meeting for a three-year term period (no. 1 of article 29 of the Articles of Association).

At the current time, Banif – Banco de Investimento, SA does not have a Remuneration Committee, given that, under no. 1 of article 29 of the articles of association, its existence is optional and the remunerations of the members of corporate and statutory bodies are determined by the General Meeting of shareholders.

In accordance with no. 1 of article 2 of Law no. 28/2009, of 19 June, a statement on the remuneration policy for the management and supervisory board is submitted to the shareholder's annual General Meeting each year.

Moreover, the General Meeting may decide, following a proposal from the Board of Directors, on the distribution of profits to Company staff and employees (no. 4 of article 29 of the Articles of Association).

I.2.13 Information on the General Meeting's intervention in the approval of the main features of the retirement benefit system offered to members of the Board of Directors, Supervisory Board and other managers, within the meaning of no. 3 of article 248-B of the Securities Code

The General Meeting may, at any time, grant the right to retirement pensions, survivor's pensions or complementary retirement pension or survivor entitlements, and setting its correspondent regime or may decide to delegate such decisions to the Remuneration Committee. (no. 6 of article 29 of the Articles of Association).

I.2.14 Rules applying to any changes to be made to the Company's Articles of Association

There are no specific rules in the Company's Articles of Association that apply to the making of changes to these same articles, namely regarding statutory nature. Any such changes would be made within the relevant legal framework, namely the provided by the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

I.2.15 Qualifying holdings in the Company's share capital

As at 31 December 2016, the total 25,239,674 shares of Banif – Banco de Investimento SA, with a nominal value of 5 euros each, representing 100% of its share capital and totalling 126,198,370 euros in value, were held by the sole shareholder Oitante, SA. This entity was set up following the Bank of Portugal's decision on 20 December 2015, under article 145-S of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*) . The company's business purpose is the administration of the rights and obligations that constitute the assets of Banif – Banco Internacional do Funchal, SA (former shareholder of Banif – Banco de Investimento, SA).

Banif – Banco de Investimento's share capital was increased from 114,440,000.00 euros to 126,198,370 euros by means of the Unanimous Written Resolution of the sole shareholder Oitante, SA, passed on 26 December 2016.

Furthermore, on 3 August 2016, a "Share Purchase and Sale Agreement" was agreed between Oitante, SA and Bison Capital Financial Holdings (Hong Kong) Limited, for the purposes of the disposal by Oitante, SA of its entire holding in Banif – Banco de Investimento, SA. This sale is currently awaiting completion.

As of the date of the present Report, Oitante, SA continued to be the sole shareholder of Banif – Banco de Investimento, SA.

I.3 Board of Directors

I.3.1 Identification of the members of the Board of Directors

As of the date of the present Report, the Board of Directors of Banif – Banco de Investimento, SA has the following members:
- Carla Sofia Pereira Dias Rebelo (Chairman)
- António Manuel Gouveia Ribeiro Henriques (Vice-Chairman)
- Bernardo Maya Múrias Afonso (Member)

I.3.2 Indication of the start and end dates for the respective mandates

As a result of the letters of resignation received from the previous members of the company's Board of Directors, the Banif – Banco de Investimento, SA's sole shareholder Oitante, SA, appointed through an Unanimous Written Resolution, dated 17 February 2016, the following members to the company's Board of Directors, for the current term of office 2015-2017, reducing on to 3 (three) the total number of the members of the Board:

- Carla Sofia Pereira Dias Rebelo (Chairman), appointed on 18 February 2016;
- António Manuel Gouveia Ribeiro Henriques (Vice-Chairman), appointed on 18 February 2016;
- Bernardo Maya Múrias Afonso (Member), appointed on 1 March 2016.

I.3.3 Powers of the management body, particularly as regards decisions on increasing the company's share capital

The powers of the Board of Directors are stipulated in article 20 of the Articles of Association. This article stipulates that the Board of Directors has exclusive and full powers to represent the Company and is responsible for ensuring the management of its business. In order to do so, it has the power to decide on any company-related issue that does not fall within the exclusive competence of another body, in law or under the Company's Articles of Association. Thus, it has the power to:

a) Engage in any operations relating to its business purpose;
b) Represent the company, actively and passively, both before the law and elsewhere, propose and follow through on actions, admit, withdraw, settle and submit to arbitration;
c) Acquire, dispose of or, in any way, encumber assets or rights, whether movable or immovable, including its own bonds or those of others, as well as holdings in other companies;
d) Appoint representatives;
e) Decide upon the timeliness and conditions of bond issues and the issue of other debt instruments by the Company.

There are no provisions in the Articles of Association for the Board of Directors to decide on an increase to the Company's share capital (as stipulated in article 456 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*")).

I.3.4 Information on the rules applicable to the appointment and replacement of members of the Board of Directors

The Board of Directors is composed of a minimum of three and a maximum of fifteen members, as decided by the General Meeting. Alternate directors may be elected, up to a number equal to a third of the existing number of elected permanent directors (no. 1 and no. 2 of article 18 of the Articles of Association). Members of the Board of Directors are appointed by the General Meeting for a three-year terms of office and may be re-elected.

The articles also stipulate that, in the first meeting of each mandate period, the Board of Directors should appoint its own Chairman and one or two Vice-Chairmen from amongst its own members.

The Articles of Association stipulate that, should a Director fail to attend three consecutive or non-consecutive board meetings in a calendar year, without due justification, acceptable to the board, the Director in question will be construed to have definitively quit the position. This fact should be declared by the Board of Directors, which will then decide, as required by law, on the replacement for the Director in question (no. 6 of article 21of the Articles of Association).

The Articles of Association do not specify the means of replacing members of the Board of Directors, such replacement taking place in accordance with the terms of no. 3 of article 393 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

There is no formal policy in place for rotating duties amongst the members of the Board of Directors.

At a meeting held on 21 October 2016, the Board of Directors approved the Regulations for the Banif – Banco de Investimento, SA's Board of Directors. This document sets out the guiding principles for this body, the basic rules governing the way it is organised and operates and the standards of conduct expected of its members. These regulations complement the pertinent legal and statutory provisions. This document was revised at the Board of Directors meeting held on 22 December 2016.

I.3.5 Positions that each member of the management body hold in other companies

Other positions held:

Carla Sofia Pereira Dias Rebelo (Chairman)

- Vice-Chairman of the Board of Directors of Banif – Banco Internacional do Funchal SA, appointed by a decision taken at the extraordinary meeting of the Board of Directors of the Bank of Portugal held at 11.30 pm on 20th December 2015, under the terms of no. 2 of article 145-F of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*);
- Alternate member of the Board of Directors of Banco Caboverdiano de Negócios SA, since 22nd April 2016.

António Manuel Gouveia Ribeiro Henriques (Vice-Chairman)

- Member of the Board of Directors of Banif – Banco Internacional do Funchal SA, appointed by a decision taken at the extraordinary meeting of the Board of Directors of Banco de Portugal held at 11.30 pm on 20th December 2015, under the terms of no. 2 of article 145-F of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*).

Bernardo Maya Múrias Afonso (Member)

- Chairman of the Board of Directors of Banif Capital – Sociedade de Capital de Risco, SA;
- External consultant to the CFA Institute (entity established under American Law);
- Member of the Supervisory Board – Laboratório de Investimento Social.

I.4 Executive Committee

I.4.1 Identification of the members of the Executive Committee

No Executive Committee has been formed from the members of the Board of Directors of Banif – Banco de Investimento, SA.

I.4.4 Information on the rules governing the appointment and replacement of members of the Executive Committee

Under no. 1 of article 22 of the Articles of Association, the Executive Committee, where there is one, should be made up of an odd number of directors. There are no specific provisions in the articles regarding the appointment or replacement of committee members. The articles of association also state that the Board of Directors, and the Executive Committee, where one has been set up, both have the power to distribute duties to directors. There is no formal policy in place for rotating duties amongst the members of the Executive Committee.

I.5 Supevisory Board

I.5.1 Identification of the members of the Supervisory Board

On 19 April 2016, Oitante, SA, the sole shareholder, passed a Unanimous Written Resolution appointing the following members to the company's Supervisory Board, for the remainder of the current term of office, which runs from 2015 to 2017:

- Issuf Ahmad (Chairman)
- Elsa Cristina Costa Pires Santana Ramalho (Member)
- Ernesto Jorge de Macedo Lopes Ferreira (Member)
- Maria Eduarda de Madureira Osório Botelho Fernandes (Alternate Member).

The above mentioned sitting members were appointed on 24 June 2016, the date on which the Bank of Portugal granted authorisation for them to perform such duties.

I.5.2 Indication of the start and end dates for the term of office

The members of the Supervisory Board listed in the previous point were appointed by a Unanimous Written Resolution of the shareholder Oitante, SA, passed on 19 April 2016. They are to remain in office for the remainder of the current term of office until 31 December 2017, which runs from 2015 to 2017.

I.5.3 Information on the rules governing the appointment and replacement of members of the Supervisory Board.

The Supervisory Board has three sitting members and one alternate member (no. 1 of article 26 of the Articles of Association).

The Supervisory Board should be constituted in accordance with the legal provisions governing incompatibility. At least one of the committee members and the alternate should be statutory auditors or firms of statutory auditors, unless the company is supervised by a Supervisory Board that works in conjunction with a statutory auditor (no. 2 of article 26 of the Articles of Association).

At least one member of the Supervisory Board should be independent, have a higher education qualification commensurate with their duties and have knowledge of auditing or accountancy (no. 4 of article 414 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*")).

The Chairman of the Supervisory Board will be appointed by the General Meeting or, where this is not the case, by the members of the committee themselves (article 414-B of the Portuguese Companies Code ("*Código das Sociedades Comerciais*")).

The Articles of Association do not specify the means of replacing members of the Supervisory Board, such replacement taking place in accordance with the terms of article 415 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

At a meeting held on 22 December 2016, the Supervisory Board approved the current Regulations for the Banif – Banco de Investimento, SA's Supervisory Board. This document sets out the guiding principles for this body and the basic rules governing the way it is organised and operates.

I.5.4 Positions that each member of the Supervisory Board hold in other companies

Issuf Ahmad (Chairman)

- Chairman of the Supervisory Board of Banif - Banco Internacional do Funchal, SA
- Member of the Higher Supervisory Board of Infraestruturas de Portugal, SA.

Elsa Cristina Costa Pires Santana Ramalho (Member)

- Member of the Supervisory Board of Banif - Banco Internacional do Funchal, SA

Ernesto Jorge de Macedo Lopes Ferreira (Member)

- Company Secretary of Banif – Banco Internacional do Funchal, SA;
- Head of Legal Advisory at Oitante, SA;
- Chairman of the General Meeting Committee of Banif Imobiliária, SA;
- Chairman of the General Meeting Committee of Wil – Projectos Turísticos, SA

I.5.5 Reference to the Supervisory Board's annual assessment of the external auditor and the fact that a proposal can be submitted to the General Meeting to dismiss the external auditor, where warranted

The Supervisory Board assesses the external auditor each year. On recommendation of the Supervisory Board, the current external auditor was appointed by the General Meeting on 22 September 2015, for the 2015-2017 three-year period, in conformity with no. 4 of article 25 of the articles of association.

I.5.6 Reference to the fact that the annual reports on the work done by the Supervisory Board include a description of its supervisory work and mention of any constraints on this work. Reference to the fact that these reports are published on the Company's website, together with the accounts documents

The annual reports produced by the Supervisory Board include a description of its supervisory work and mention of any constraints affecting this work (where these exist). These reports are published on the Company's website, together with the accounts documents.

I.5.7 Description of the Company's internal control and risk management systems, particularly as regards the procedure for reporting financial information

Last year, the Company continued to focus on developing its Internal Control System. It built synergies with the operating risk and process improvement teams to achieve the following objectives:

- To establish the level of the organisation's control environment, by instilling discipline and structure at the heart of the Internal Control Function and disseminating this culture throughout the organisation;
- To reduce risk levels and encourage operational effectiveness and efficiency;
- To ensure that all reported information is objective, reliable and correct;
- To comply with all legal and regulatory standards.

The methodology for implementing Internal Control is based on international principles and a framework that is designed to ensure the attainment of five main component outcomes:

- Control Environment – Establishing the degree to which the Company influences its staff's awareness of control, imposing discipline and structure.
- Risk Assessment – Identifying and analysing relevant risks (internal and external) so organisational objectives may be achieved and a suitable basis for risk management can be set up.
- Control Activities – Based on appropriate policies and procedures, with the objective of ensuring that the ground rules established for management are followed and that these policies and procedures allow the proper identification of the risks inherent in the Company's business activities.
- Information and Communication – Ensuring the identification, capture and reporting of pertinent and relevant information that allows decisions to be taken and ensures that the implementation of these is appropriate.
- Monitoring – Assessing the performance and quality of internal control.

The most important event in 2016, from an internal control perspective, was the resolution of Banif – Banco Internacional do Funchal, SA. This resulted in the segregation of the Company's business activities and the independence of the model used to record and monitor the mitigation measures implemented in response to internal control shortcomings identified through the review and control interventions of external auditors, supervisory entities and bodies with control responsibilities.

In working towards the objectives set for the internal control function, the company launched a number of internal control initiatives in 2016. These initiatives, which contributed decisively to a substantial improvement in the robustness of the internal control system, were:

- The completion of self-assessment questionnaires in compliance with the requirements for structural functions stipulated in Bank of Portugal's Notice no. 5/2008, of 1 July 2008;
- The structuring and deployment of an Action Plan for the implementation of corrective measures for all high risk points or those pertaining to the Safekeeping of Clients' Assets.
- The design of a risk identification, control and mitigation model and the application of this to the Company's various Business Units.
- The clarification, through internal regulations, of the assignments and activities to be carried out by the control functions (Audit, Risk and Compliance).
- The reporting of the changing status of corrective actions to both the management and supervisory bodies.

I.5.8 Responsibilities of the management and supervisory bodies regarding the setting up and operating of internal control and risk management systems, including the operational assessment of these systems and their adjustment to the Company's needs

The Board of Directors and the Supervisory Board understand the key role they play in organising Risk Management and Internal Control Systems. These bodies provide the human and technological resources required to create an internal control environment that is proportional and appropriate to the business risks involved.

The management bodies maintain regular and periodic oversight of the changes in, and mitigation of, the shortcomings identified in the Company's Internal Control System. They do this by organising and participating in regular meetings with the Company's various departments. These meetings, which focus on the identification, monitoring, quantification and management of risks, allow management to implement corrective measures that are commensurate with the proper running of the Company.

Each year, the Supervisory Board assesses the effectiveness of the adjustment of the Internal Control System to the company's needs. It publishes this assessment in its own report, which also includes recommendations for improvements, where it believes these are warranted.

II. Remuneration

II.1 Description of the remuneration policy of management and supervisory bodies, as set out in article 2 of Law no. 28/2009 of 19 June

The sole shareholder Oitante, SA passed a Unanimous written resolution on 13 January 2017 that approved the revised and updated version of the "Remuneration Policy of Members of the Management and Supervisory Bodies of Banif – Banco de Investimento, SA". This new document, which was not significantly different from the previous version, was prepared and submitted by the Board of Directors, with legal input and advice from Sérvulo & Associados, Sociedade de Advogados SP, RL.

The contents of the policy are as follows:

"Whereas:

a) *Pursuant to the provisions of articles 1 and 2, no. 1 of Law 28/2009 of 19 June, the management body or remuneration committee shall "every year, put a statement on the remuneration policy of the respective management and supervisory body members to the approval of the General Meeting."*
b) *Pursuant to article 2, no. 4 of Law 28/2009 of 19 June, "credit institutions and financial companies are bound by the remuneration policy rules set out in the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), approved by Decree-Law no. 298/92 of 31 December."*
c) *The Legal Framework of Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92 of 31 December, as later amended ("RGICSF" – Regime Geral das Instituições de Crédito e Sociedades Financeiras) sets out in article 115-C, no. 4 that "the management body or remuneration committee, if there is one, shall put the remuneration policy for the employees set out in no. 2, paragraph a) (members of the management and supervisory bodies) to the annual approval of the General Meeting.";*
d) *Portuguese Central Bank Notice 10/2011 of 29 December, article 5, no. 1 contains equivalent provisions;*
e) *Banif - Banco de Investimento S.A.´s Articles of Association set out in article 29 thereof that "the remuneration of members of corporate and statutory bodies are determined by the General Meeting or by a Remuneration Committee".*
f) *The provisions of article 115-D of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras);*
g) *In terms of governance, at the time the present Policy was drafted, the company was structured in compliance with art. 278, no.1, paragraph a) and art. 413, no. 1, paragraph b), both of the Portuguese Companies Code ("PCC") and was made up of the following corporate bodies: the General Meeting, the Board of Directors, the Audit Board and a Statutory Auditor.*
h) *In order to duly comply with the new organisational requirements set out in the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), which are now required for all credit institutions, the governance model referenced in the previous paragraph needs to be changed and reinforced, namely by creating, within BBI's management body, a committee with specific powers called the "Specialised Internal Corporate Governance Committee" ("Corporate Governance Committee" or "CGC"), which shall be made up of non-executive members of the Board of Directors and will be granted the Remuneration Committee powers set out in art. 115-*

H of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), among others.

i) *The Specialised Internal Corporate Governance Committee (CGC), yet to be created, shall have powers regarding remuneration, including those set out in article 7 of the Bank of Portugal's Notice no. 10/2011 and article 115-H of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras) for the remuneration committee to be created within that body;*

j) *Until the abovementioned Specialised Corporate Governance Committee is created, the supervisory body shall oversee the application of the present Remuneration Policy and ensure its effectiveness, with the limitations inherent thereto, and all references to the Committee or Remuneration Committee in the present Policy shall be deemed references to the supervisory body.*

k) *The Remuneration Policy for management and supervisory body members shall be approved, for credit institutions, in the first General Meeting following the date on which the referenced DL 157/2014 of 24 October comes into force, by virtue of art. 26, no.7 thereof;*

The following remuneration policy for members of the BBI's management and supervisory bodies is submitted for approval by the Annual General Meeting:

I. General principles

The main goals of the present Remuneration Policy for BBI's management and supervisory bodies are to enable BBI to attract, motivate and retain high-level, high-potential professionals, to align the interests of corporate body members with those of the Company, shareholders and other stakeholders, to stimulate and reward relevant individual contributions and good collective performance, to promote sound and prudent risk management and discourage taking on risk greater than the risk level tolerated by the credit institution.

In particular, the present Remuneration Policy is intended to contribute to aligning management body member interests with the Company's long-term interests and discouraging the taking on of excessive of risk through the measures described below:

a) *defining variable remuneration limits for Executive Committee members;*

b) *providing the option for variable remuneration to be a percentage of the Company's results, up to 5 (five) percent;*

c) *providing the option of deferring the variable remuneration of Executive Committee members;*

d) *providing that Executive Committee members effectively perceive variable remuneration as dependent on attaining goals or on the Company's not regressing/negative performance, namely through variable remuneration reduction and reversal mechanisms;*

e) *defining that corporate body members that carry out supervisory and control duties shall not receive variable remuneration.*

BBI's Remuneration Policy combines statutory principles with the mandatory legal and regulatory provisions referenced above.

In that regard, special attention shall be granted to:

- *The provisions of BBI Articles of Association article 29, under which:*

"1. "The remuneration of members of corporate and statutory bodies are determined by the General Meeting or by a Remuneration Committee made up of three elected members, for a three-year period by the General Meeting.

2. Remuneration Committee members cannot be a part of any other corporate body.

3. The remuneration defined for members of the Board of Directors can be fixed or partially consist of an overall percentage of the financial year's net profits, up to the limit of 5 (five) percent.

4. The Board of Directors may annually propose, to the General Meeting, the distribution of profits to company staff and employees.

5. The General Meeting may pass a resolution creating a stock option scheme over shares representing the company's share capital, to be acquired at the price defined by the General Meeting and may or may not be associated to a put option at a predetermined fixed or variable price.

6. The General Meeting may at any time grant the right to a retirement and survival pension or to pensions supplementary thereto, thereby establishing the respective regime or delegating powers to that effect to the Remuneration Committee."

- The provisions of article 115-D of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), pursuant to which no variable remuneration shall be paid to members of the Board of Directors while the company is owned in its entirety by public entities.

– *Definition and approval process for the remuneration policy*

Under article 29 of the Articles of Association, the remuneration of members of corporate and statutory bodies are determined by the General Meeting or by a Remuneration Committee to which the General Meeting delegates that power.

Pursuant to article 115-C, no. 4 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), "the management body or remuneration committee, if there is one, shall put the remuneration policy for the employees set out in no. 2, paragraph a), (members of the management and supervisory bodies), to the approval of the General Meeting, every year".

The Specialised Internal Corporate Governance Committee, yet to be created, shall have the powers on preparing resolutions on matters of remuneration, including those that article 7 of Bank of Portugal's Notice no. 10/2011 and article 115-H of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras) provide that shall be entrusted to the remuneration committee created within that body.

The present Policy and its implementation shall be reviewed annually by the remuneration committee as set out in article 115-H of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras) (or by the Supervisory Board until a committee is created with the powers legally granted to the remuneration committee, as is the case for the Specialised Internal Corporate Governance Committee, once created).

The Remuneration Committee shall make informed and independent judgements on the remuneration policies and practices and on the incentives created as regards risk management.

II. Breakdown of the Remuneration

a) Board of Directors

- *Executive members of the management body*

As a rule, the remuneration of members of the Executive Committee can be made up of a fixed and a variable component, pursuant to article 8 of Bank of Portugal's Notice no. 10/2011, although taking into consideration namely article 115-D of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), including as regards the deferral of the variable component in order to structure it in line with sound risk management, the credit institution's long-term growth and geared towards the alignment of management body member interests with the company's long-term interests.

The remuneration of Executive Committee members will seek to competitively align remuneration with the dedication, qualification, quality, business know-how, work capacity, commitment and responsibilities required in carrying out their duties and, on the other hand, will seek to reconcile them with sustainable development, goals, values and long-term interests of BBI, its shareholders and clients.

i. Fixed Remuneration

The fixed remuneration component shall be the most significant portion of overall remuneration, representing 65% to 100% of the management body members´ remuneration, thereby ensuring appropriate flexibility in defining the variable component, in strict compliance with article 115-F of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras). The fixed remuneration component shall in no case exceed 250,000.00 euros.

The fixed remuneration component shall remunerate Executive Committee members for the responsibilities inherent to their duties and for their specific skills, namely relevant professional experience. This basis remuneration shall be determined pursuant to market practice for equivalent duties and shall be reviewed annually. There is no automatic adjustment mechanism for the referenced market practice.

The fixed remuneration component shall be paid 14 times a year.

ii. Variable Remuneration

The variable remuneration component shall be the least significant portion of overall remuneration, at most 35% thereof and a maximum amount of 87,500.00 euros; it shall be granted in light of the duties carried out by each member within the management bodies. The total amount of the variable remuneration component shall be determined, pursuant to the law, by combining the employee's performance assessment, which shall reflect financial and non-financial criteria, and his/her structural unit's performance as regards the credit institution's overall results.

If allocated, the variable remuneration component shall be paid once a year, notwithstanding any possible partial deferral in payment thereof.

The variable remuneration component intends to remunerate Executive Committee members' contribution, as well as their collective performance, in attaining the pre-determined qualitative *and quantitative goals (as annually defined by the General Meeting or Remuneration Committee designated thereby), in line with the overall strategy of both the Company and the corporate group it is a part of, as well as with the sustainable performance adjusted to the credit institution´s risk.*

Pursuant to article 115-E of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), "credit institutions shall ensure that such component does not limit the credit institution´s ability to reinforce its capital base and that all types of risk, present and future, are taken into account in its allocation."

Pursuant to the law, no variable remuneration can be guaranteed, save in the appointment of a new member, and, in any event, that guaranteed variable remuneration can only apply to the first year in office and shall only become due if BBI has a strong and sound capital base.

If the variable remuneration component is defined in terms of the Company´s net profits, the limit set out in article 29, no. 3 of the Articles of Association shall be taken into consideration, whereby "the remuneration defined for members of the Board of Directors can (…) partially consist of an overall percentage of the financial year's net profits, up to the limit of 5 (five) percent."

Pursuant to article 115-D of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), "when credit institutions benefit from an extraordinary State intervention, their remuneration policy is thereby bound by the following requirements while that intervention is underway: (…) c) The variable remuneration component for the credit institution's employees shall be limited to a percentage of the profits whenever necessary in order to maintain a solid capital base and to ensure the extraordinary public financial support is drawn to an end in a timely manner."

A decision may also be made that the allocation of the variable remuneration component, if any, only be made, in whole or in part, once the yearly accounts have been determined for the entire term of office of the respective corporate body member.

It is deemed relevant that, as a principle, the variable component be aligned with the Company´s long-term performance, as provided for by law. In this regard, a deferral mechanism of at least 40% of the variable remuneration component (or 60% when the variable remuneration component is particularly high) shall apply, as set out in article 115-E of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), for a minimum period of 3 to 5 years from the date defined for payment of the undeferred portion of the variable remuneration component. It may also take into consideration the relative weight of the variable remuneration component and the seniority of the duties carried out. The right to be paid the deferred variable remuneration component shall be allocated pro rata throughout the deferral period.

BBI shall implement a mechanism to limit variable remuneration whereby the deferred portion of that remuneration component, for the Executive Committee considered as a whole and/or for Executive Committee members individually, not be paid when the company's performance, assessed according to financial and non-financial criteria, falls short of the defined goals. Furthermore and pursuant to the applicable law, the Company shall implement a set of mechanisms to reduce and reverse the variable remuneration affecting either the deferred or the undeferred portion thereof, allocated to the Executive Committee as a whole and/or to Executive Committee members individually, in the event the credit institution's performance declines or is *negative, pursuant to article 115-E of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras). These mechanisms will take into account, in particular, situations where the respective member a) participated in or was responsible for an action that led to significant losses for the credit institution; b) ceased to meet suitability and integrity criteria.*

The assessment process for Executive Committee members shall be carried out on an annual basis by the Committee appointed therefore by the Board of Directors (the Specialised Internal Corporate Governance Committee, yet to be created or, in the absence thereof, the Supervisory Board), based on long-term performance and providing for adjustments in light of various risk types, current and future, as well as BBI's cost of capital and liquidity needs.

Under the law and Articles of Association, the variable remuneration component shall be made up of an equity portion (share allocation plans or stock option plans) or other equivalent financial instruments. Given the reality of the Portuguese capital markets, and in light of BBI's organisational model, as well as its current situation, the management body's remuneration policy does not provide for the partial payment of the variable remuneration component with equity or other financial instruments. However, given the provisions of articles 115-D, paragraph a) and 115-E no. 3 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), this change shall later be introduced to the remuneration of Executive Committee members, especially once the public investment has come to an end.

By law, "the variable remuneration component, including the deferred part thereof, shall only become an acquired right or be paid if sustainable in light of the credit institution's financial situation and as long as duly justified in light of the performance of the institution, the respective structural unity and respective employee."

BBI will not pay any variable remuneration whilst it is wholly owned by State-owned institutions.

iii. Benefits

Namely taking into account the practices of other credit institutions of an equivalent size, Executive Committee members are also granted the healthcare benefits characteristic of the banking sector, as well as the use of communication, IT and other equipment associated with the performance of their respective duties.

iv. Others

Given that the remuneration of members of the Board of Directors, in general, and of the Executive Committee, in particular, intends to compensate them for the activities they carry out in BBI directly and in companies related thereto or corporate bodies to which they have been appointed by the respective sole shareholder or in representation of BBI, all remuneration granted to members of management and supervisory bodies of Group BBI companies, in carrying out their respective duties, are taken into account when calculating the total remuneration of each one, in order to ensure, throughout the group, harmonised, balanced and coherent remuneration models and levels. It is each Board of Directors member duty and responsibility to give notice of any additional compensation granted thereto within the BBI Group.

Executive Committee members have not and will not enter into any hedging or risk transfer contracts in relation to any deferred component that may minimise the effects of risk inherent to the remuneration scheme in place.

- *Non-executive members*

Given the provisions of article 9 of Bank of Portugal's Notice no. 10/2011, non-executive members of BBI's Board of Directors, if they have not already been granted remuneration by any other entity in a controlling or group relationship, shall receive a fixed remuneration to compensate them for the dedication, qualification and responsibility required in order to carry out their duties. The remuneration of the non-executive members of the Board of Directors does not depend on nor is it in any way related to the Company's results and its respective amount is presently defined in light of the provisions of article 12, no. 2 of Ministerial Order 150-A/2012.Supervisory body

- *Supervisory Board*

Given the provisions of article 9 of Bank of Portugal's Notice no. 10/2011, members of the supervisory body, the Supervisory Board, will be granted a fixed remuneration independent or unrelated, in every way, to the Company's results.

- *Statutory Auditor*

As regards the Audit Firm, the adopted policy is and will continue to be consistent with the fixed remuneration granted under a legally binding service agreement.

III. Retirement pensions and supplements

Pursuant to article 29, no. 6 of the Articles of Association, "the General Meeting may, at any time, grant the right to a retirement and survival pension or to pensions supplementary thereto, to corporate body members, while establishing the respective regime or delegating powers to that effect to the Remuneration Committee."

As at the present date, the corporate body responsible therefor has not yet passed a resolution granting corporate body members the right to retirement and survival pensions, or pensions supplementary to retirement and survival.

Executive members of the management bodies benefit from the pension plan applicable to all Banif employees in equal circumstances.

IV. Implementation of the remuneration policy (no. 6 of article 115-C of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras))

In compliance with no. 6 of article 115-C, of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras) and no. 7 of article 7 of Bank of Portugal's Notice no. 10/2011, is considered that:

a) the remuneration policy is deemed to have been appropriately implemented and to have fully complied with the defined principles, procedures and rules;

b) the remuneration policy proposal presented in the present document is adequate to the respective size and internal organisation and to the nature, scope and complexity of its activities and is aligned with BBI's corporate interests, insofar as, among other aspects:

a. it promotes and is coherent with the sound and prudent management of risk and discourages risk-taking beyond BBI's tolerated risk level;

b. is compatible with the credit institution's corporate strategy, its goals, values and long-term interests;

c. clearly distinguishes between the criteria for determining the fixed remuneration component and the criteria for the variable component thereof.

The assessment of the suitability of remuneration granted to members of the management and supervisory bodies takes into consideration the mandatory limitations it is subject to under the aforementioned legal norms that apply to credit institutions under recapitalisation transactions with recourse to public investment.

V. Other aspects

No compensation or indemnification was paid or is due to members of the management body due to termination of their appointment during the financial year.

The concrete fixed remuneration of the management and supervisory bodies is defined at the outset of each year by the General Meeting or by a Remuneration Committee appointed thereby, in light of the legal framework and approved remuneration policy. The variable remuneration of Executive Committee members is determined annually, based on their performance assessment thereof, the legal framework and approved remuneration policy."

II.2 Indication of the annual remuneration paid to each member of the company's management and supervisory bodies on an individual basis, including both fixed and variable remuneration

Annual remuneration paid to each member of the Company's management and supervisory bodies

(Amounts in euros)

BOARD OF DIRECTORS	FIXED REMUNERATION	OTHER REMUNERATIONS
Pedro Brandão de Mello e Castro (1)	6,635.95	174.98
Carla Sofia Pereira Dias Rebelo (2)	61,671.94	854.26
António Manuel Gouveia Ribeiro Henriques (3)	52,421.14	791.87
Bernardo Maya Múrias Afonso (4)	104,850.00	790.50

on an individual basis (2016 financial year):

(1) end of term of office on 31/01/2016

(2) start of term of office on 18/02/2016

(3) start of term of office on 18/02/2016

(4) start of term of office on 01/03/2016

(Amounts in euros)

SUPERVISORY BOARD	REMUNERATION (ATTENDANCE FEES ONLY)	OTHER REMUNERATIONS
Manuel Heleno Sismeiro (*)	0.00	0.00
Teresa Lucinda Camoesas Castelo (**)	0.00	0.00
Issuf Ahmad (***)	26,335.00	0.00
Elsa Cristina Costa Pires Santana Ramalho (***)	17,557.00	0.00
Ernesto Jorge de Macedo Lopes Ferreira (***)	17,557.00	0.00

(*) end of term of office on 3 March 2016

(**) end of term of office on 30 December 2015

(***) members appointed on 19 April 2016

II.3 Information in compliance with the provisions of no. 4 of article 16 of Bank of Portugal Notice no. 10/2011

a. The decision-making process applied to the setting of the remuneration policy, including, where appropriate, indication of the mandate and composition of the remuneration committee, the identification of any external consultants whose services were used in setting the remuneration policy and any additional services provided by such consultants to the Company or to members of the management or supervisory bodies;

The sole shareholder Oitante, SA passed a unanimous written resolution on 13 January 2017 that approved the revised and updated version of the "Remuneration Policy of members of the Management and Supervisory bodies of Banif – Banco de Investimento, SA". This new document, which was not significantly different from the previous version, was prepared and submitted by the Board of Directors, with legal input and advice from Sérvulo & Associados, Sociedade de Advogados SP, RL.

At the reporting date, Banif – Banco de Investimento, SA does not have a Remuneration Committee, given that, under no. 1 of article 29 of the articles of association, this is a non-compulsory body and that the remunerations of the members of the governance and statutory bodies may be set by the General Meeting.

b. As regards the variable component of the remuneration: the various components that go into this, the proportion that is deferred and the proportion that has already been paid.

No variable remuneration was paid to Executive Directors in 2016.

c. **Information on how the current remuneration policy is structured to allow alignment of the interests of members of the Board of Directors with the long-term interests of the Company and how it discourages excessive risk-taking as well as information on the criteria used in performance assessment.**

This information may be found in the form of the statement on Remuneration Policy approved by the Company's General Meeting of 13 January 2017 quoted in point I (General Principles) above and as follows:
"The main goals of the present Remuneration Policy for BBI's management and supervisory bodies are to enable BBI to attract, motivate and retain high-level, high-potential professionals, to align the interests of corporate body members with those of the Company, shareholders and other stakeholders, to stimulate and reward relevant individual contributions and good collective performance, to promote sound and prudent risk management and discourage taking on risk greater than the risk level tolerated by the credit institution.

In particular, the present Remuneration Policy is intended to contribute to aligning management body member interests with the Company's long-term interests and discouraging the taking on of excessive of risk through the measures described below:…".

d. **Regarding the remuneration of Executive Directors:**

i. The institutional bodies charged with assessing individual performance;

According to the Remuneration Policy approved at the General Meeting of the Company, held on 13 January 2017, and as set out in point 1 (General Principles), the annual assessment of the performance of members of the Executive Committee will be the responsibility of the appropriate Committee appointed by the Board of Directors (which will be the Specialised Internal Committee for Corporate Governance, when it is set up – or, in the absence of such a committee, by the Supervisory Board). This assessment is made annually and based on long-term performance and allows for adjustments that take into account the various types of current and future risks, the cost of Banif – Banco de Investimento, SA's own funds and its liquidity requirements.

ii. The pre-set criteria used in assessing individual performance and on which the entitlement to variable remuneration is based;

This information may be found in the statement on remuneration policy quoted in point II.ii above. As stated in this point, the criteria for determining Variable Remuneration are applied to the performance of the executive body and not to each individual Board Member. As mentioned in this point, variable remuneration is designed to recognise and reward the contribution made by the members of the Executive Committee and also their collective performance. It is expected that there will be no payment of variable remuneration whilst the current shareholder context prevails.

iii. The relative importance of the variable and fixed components of the remuneration paid to executive directors and the upper limits for each component;

This information may be found in the statement on Remuneration Policy quoted in point II. above, where it is stated that: a) most of the total remuneration package should consist of fixed remuneration, and this should account for between 65% and 100% of the total remuneration received by members of the Board of Directors. This leaves sufficient flexibility for setting the variable component, as required under article 115-F of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*). This variable component will have a ceiling that is also established in the aforementioned Policy; b) variable remuneration should account for a smaller fraction of the total remuneration package. It may be no more than 35% of this package, as established in the aforementioned Policy. Moreover, there will be no payment of any variable remuneration whilst the current shareholder context prevails. That is, Banif – Banco de Investimento, SA will not pay any variable remuneration whilst it is wholly owned by publicly funded institutions.

iv. Information regarding the deferred payment of the variable component of remuneration, specifying the relevant deferral period;

This question is not applicable as there is no variable component to the remuneration for 2016.

v. The way in which the payment of the variable remuneration is subject to the continuing good performance of the institution over the deferral period;

This question is not applicable as there is no variable component to the remuneration for 2016.

vi. The criteria on which the allocation of Variable Remuneration in shares is based, and also those regarding the keeping of company shares that the executive directors have had access to, any possible share contracts, including hedging or risk transfer contracts, pertaining to these shares, the corresponding limit and its relation to the total annual remuneration value;

Given the current context and the fact that there is no variable component to remuneration, Banif – Banco de Investimento, SA did not have, nor did it plan to have, any share allocation plans for members of the management or supervisory bodies in 2016.
However, and bearing in mind the provisions of articles 115-D a) and 115-E, no. 3, of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - *Regime Geral das Instituições de Crédito e Sociedades Financeiras*), this matter is addressed by point II.ii of the Policy detailed above.
In any case, Banif – Banco de Investimento, SA will not pay any variable remuneration whilst it is wholly owned by publicly funded institutions.

vii. The criteria used in awarding the variable component of remuneration in the form of options and indication of the deferral period and the option price;

Given the current context and the fact that there is no variable component to remuneration, Banif – Banco de Investimento, SA did not have, nor did it plan to have, any share purchase options for members of the management or supervisory bodies in 2016.
However, and bearing in mind the provisions of subparagraph a) of article 115-D and no. 3 of article 115-E of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF" - Regime Geral das Instituições de Crédito e Sociedades Financeiras), this matter is addressed by point II.ii of the Policy detailed above.

viii. The main parameters and principles of any annual bonus scheme or any other non-monetary benefits;

There are no annual bonuses or other non-monetary benefits of relevance.

ix. The remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded;

No remuneration is paid in the form of profit-sharing and/or bonuses.

x. The compensation paid or owed to former executive members of the management body, in relation to contract termination during the financial year;

In 2016, no amounts/compensation were paid, or owed, in respect of contract termination, to former executive members of the management body.

xi. Information regarding the existence of legal instruments, pursuant to article 10 of Bank of Portugal's Notice no. 10/2011;

Without prejudice to the applicable legal framework, no specific legal mechanisms have been put in place for the purposes of ensuring that no compensation or indemnification, including payments pertaining to the duration of a period of prior notice or a non-compete clause, is paid in those cases in which members of the management body have been removed from office or where their contact is terminated because of poor performance of their duties.

xii. The amounts paid, for any reason, to companies that are related by control or by group membership (in 2016);

(Amounts in euros)

BOARD OF DIRECTORS	FIXED REMUNERATION (INCLUDING ATTENDANCE FEES)	OTHER REMUNERATION
Pedro Brandão de Mello e Castro (1)	0.00	0.00
Carla Sofia Pereira Dias Rebelo (2)	0.00	0.00
António Manuel Gouveia Ribeiro Henriques (3)	0.00	0.00
Bernardo Maya Múrias Afonso (4)	0.00	0.00

(1) end of term of office on 31/01/2016
(2) start of term of office on 18/02/2016
(3) start of term of office on 18/02/2016
(4) start of term of office on 01/03/2016

xiii. The main features of supplementary pension or early retirement schemes, with an indication as to whether or not these were put to the General Meeting for discussion;

Two of the executive directors of Banif – Banco de Investimento, SA (Carla Sofia Pereira Dias Rebelo and António Manuel Gouveia Ribeiro Henriques) are covered by pension funds that are supplementary to the social security pension scheme. These Directors are members of the Defined Contribution Plan set up by the Banif – Banco de Investimento, SA Pension Fund and managed by Banif Pensões – Sociedade Gestora de Fundos de Pensões, SA. This fund is supplementary to the Social Security System. As their participation in this fund is identical to that of all other employees participating in the fund, the matter has not been referred to the General Meeting for approval.

xiv. The estimated value of relevant non-monetary benefits that are deemed to be remuneration but that have not been covered by the situations above;

There are no relevant non-financial benefits that could be considered remuneration.

xv. The existence of mechanisms that prevent the members of the management body from taking out remuneration or liability insurance, or any other risk coverage mechanisms that would tend to undermine the risk alignment effects embedded in their remuneration arrangements;

There are no mechanisms in place for this purpose.

xvi. Reference to the inclusion of any variable component in the remuneration of Non-Executive Directors;

The remuneration paid to the Banif – Banco de Investimento, SA's Directors in 2016 did not include any variable component (this being taken to mean a component dependent on the Company's performance).
In 2016, there were no non-executive directors sitting on the Board of Directors at Banif – Banco de Investimento, SA.

II.4 Remuneration of employees who are not members of management or supervisory bodies but who meet one of the following criteria: They carry out duties which involve assuming a risk burden, on behalf of the company or its clients, which might have a material impact on the institution's risk profile;

a. Their total remuneration package places them on the same remuneration scale as the members of the management or supervisory bodies;

b. They carry out the control functions indicated in Bank of Portugal's Notice no. 5/2008, of 1 July.

a. Employees covered

Point II.4 covers Banif – Banco de Investimento, SA staff who (i) are heads of the Company's top-line bodies, to the extent that they carry out professional duties that might impact on the institution's risk profile, and those who (ii) belong to the institution's management structure (Managers, Deputy Managers and Assistant Managers) and who work in the areas of auditing, compliance and risk. There are no employees "whose total remuneration package places them on the same remuneration scale as the members of the management or supervisory bodies" who are not already covered by one of the other preconditions.

b. The process used in setting the remuneration policy and the identification of any external consultants whose services were used in setting the remuneration policy and any additional services provided by such consultants to the Company or to members of the management or supervisory bodies.

The "Remuneration Policy of Banif – Banco de Investimento, SA's Employees" is drawn up or renewed on an annual basis by the Board of Directors, following a recommendation from the Human Resources Department. It is based on sector remuneration practices for similar functions, the objectives and incentives system, annual performance assessment, career progression factors and employee conduct, as reported by line managers or through formal records, such as disciplinary events, critical incidents or instances of outstanding merit.

No use was made of any experts, consultants or external entities. The institution's own remuneration practices and those of the financial sector and other Portuguese banks that operate in both the national and international markets were taken into consideration.

c. Regarding the variable component of the remuneration: the various components that go into this, the proportion that is deferred and the proportion that has already been paid

Variable remuneration should be paid through a scheme that is aligned with the performance assessment system, based on clear objectives and on both quantitative and qualitative criteria that have been applied proportionally as a function of each employee's job description. Up to 50% of such remuneration may be paid in cash; the remainder should take the form of financial instruments.

No variable remuneration was paid in 2016.

d. Information on how the current remuneration policy is structured to allow alignment of the interests of members of the management body with the long-term interests of the Company and how it discourages excessive risk-taking as well as information on the criteria used in performance assessment.

The "Remuneration Policy of Banif – Banco de Investimento, SA's Employees" establishes the concept of overall remuneration, which is broken down into fixed remuneration and variable remuneration. Fixed remuneration comprises the main part of the remuneration package for all employees. Variable remuneration is designed to reward each employee's performance and attainment of specific objectives. Fixed and variable remuneration represent >75% and <25% of the total remuneration, respectively.

The annual amount of variable remuneration, defined at the beginning of each year by the Board of Directors, shall vary according to fulfilment of the individual and collective objectives of the unit in which the employee works, in accordance with the system of targets and the approved performance assessment model, the Company's overall results and the future outlook.

Variable remuneration is calculated on the basis of pre-determined criteria and there is no incentive for employees to take excessive risks.

The "Remuneration Policy of Banif – Banco de Investimento, SA's Employees" thus envisages that the Board of Directors may allocate variable remuneration to employees. Any such allocation is at the discretion of this management body. In the event of the allocation of variable remuneration, the fixed remuneration is guaranteed to continue to account for a significantly larger proportion of the total remuneration package.

This system is designed to promote and encourage improved individual performance of professional duties. Any such bonus or incentive is not, however, directly linked to the Company's results, particularly not in the short-term.

Given the relatively low weighting of the variable component of remuneration in the total staff remuneration package, it is believed that the current remuneration policy does not compromise the institution's long-term interest nor does it encourage excessive risk-taking.

The criteria used in the assessment of employees are those set out in the Company's current performance assessment process. This assessment is carried out by line managers and by the Board of Directors (in the case of senior management).

e. Competent bodies for assessing individual performance

The competent body for assessing those members of staff responsible for the Company's top-line structures is the management body itself, in the form of the director responsible for the area in question. For those staff members not in this group, but who do work in the areas of audit, compliance or risk, the criteria are written into the Company's current performance assessment process, as implemented by the various line management structures.

f. Pre-set criteria used in assessing performance and on which the entitlement to variable remuneration is based

Any variable remuneration awarded to an employee is the result of a discretionary decision taken by the Board of Directors and is based on an individual performance assessment that makes use of pre-defined objective criteria. This does not grant or constitute a vested right and it is for the Board of Directors to decide to allocate the variable remuneration and determine the amount allocated.

g. The way in which the payment of the variable remuneration is subject to the continuing good performance of the institution.

Given the reduced importance of the variable component in the Company's remuneration policy, there is no apparent need to defer its payment.

h. The criteria used in awarding the variable component of remuneration in the form of options and indication of the deferral period and the option price

The "Remuneration Policy of Banif – Banco de Investimento, SA's Employees" does not envisage the awarding of any variable component of remuneration in the form of options.

i. The main parameters and principles of any annual bonus scheme or any other non-monetary benefits

There is no other annual bonus scheme besides the performance bonus, which has been detailed in the preceding points. The other benefits extended to Company's employees, all of which are written into the "Remuneration Policy of Banif – Banco de Investimento, SA's Employees", are as follows:

i. Medical Assistance Services (Health Insurance);
ii. Workers compensation insurance, as required by law;
iii. Pension Fund, in the terms established in the constitutive contract.

II.5 Disclosure of quantitative information, in compliance with article 17 of Bank of Portugal's Notice no. 10/2011

i. Total annual employee earnings and the number of beneficiaries

Other Employees

(Amounts in euros)

Total Annual Amounts	Fixed Remunerations	Variable Remunerations
All employees	1,884,519.96	0.00

Note: The number of beneficiaries that received a fixed remuneration in 2016 amounted to 46 (that equals the total number of Banif – Banco de Investimento, SA's employees, excluding members of the management board. As per the amount mentioned in the above table, this amount includes the compensation payment as a result from an early termination of a work contract and doesn't include insurance payments.

ii. The amounts and types of variable remuneration in the remuneration package, separated into monetary remuneration, shares, share-linked instruments and other types of remuneration.

No variable remuneration was paid to any of the Company's employees.

iii. The amount of deferred remuneration not paid, separated into vested and non-vested amounts.

This question is not applicable as there is no deferred variable remuneration.

iv. The annual amounts of deferred remuneration owed, paid or subject to reduction following adjustments made as a result of individual employee performance

This question is not applicable as there is no deferred variable remuneration.

v. The number of new hirings in the period in question

There were no new hirings in 2016.

vi. The amounts relating to payments made or owed as a result of early termination of work contracts, the number of beneficiaries of any such payments and the highest payment for any single employee.

One contract was terminated by mutual agreement. The compensation payment was EUR 121,001.11.

vii. Total annual employee earnings, by business area

Other Employees

(Amounts in euros)

Total Annual Amounts	Fixed Remunerations	Variable Remunerations
Positions of Responsibility	458,208.19	00.00

Other Employees

(Amounts in euros)

Total Annual Amounts	Fixed Remunerations	Variable Remunerations
Positions of Control (Compliance)	2,636.91	0.00

Other Employees

(Amounts in euros)

Total Annual Amounts	Fixed remunerations	Variable Remunerations
Positions of Control (Risk Management)	98,796.18	0.00

Other Employees

(Amounts in euros)

Total Annual Amounts	Fixed Remunerations	Variable Remunerations
Positions of Control (Auditing)	446.95	0.00

viii. Remuneration of the statutory auditor

With regard to the Company's supervisory board, the total fees charged by the Statutory Auditor for the reporting periods ending 31 December 2016 and 2015, were as follows (broken down by services rendered):

(amounts in euros)	2016	2015
External audit of the accounts	71,500	41,400
Other reliability assurance services	33,500	22,000
Tax advisory services	-	-
	105,000	63,400

Note: amounts do not include VAT

The 'Other reliability assurance services' item includes fees pertaining to the audit of the Company's internal control system, as required by Bank of Portugal's Notice no. 5/2008, the audit of the specific internal control system for the prevention of money laundering and the financing of terrorism, as required by Bank of Portugal's Notice no. 9/2012, the audit of the impairment of the loan portfolio, as required by Bank of Portugal's Instruction no. 5/2013 (2015 only) and the audit of the procedures and measures in place for safeguarding clients' assets, in compliance with the provisions of no. 4 of article 304-C of the Securities Code.

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OTHER INFORMATION

Disclosure required under article 447 of the Portuguese Companies Code (*Código das Sociedades Comerciais*)

Disclosure on shares and bonds required under article 447 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), with reference to 31 December 2016, including all share and bond transactions carried out during the period in question.

BOARD OF DIRECTORS

Disclosure on shares and bonds required under article 447 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), with reference to 31 December 2016, including all share and bond transactions carried out during the period in question.

BOARD OF DIRECTORS

Carla Sofia Pereira Dias Rebelo (Chairman)
This member was appointed on 17/02/2016 and began duties on 18/02/2016. At the reporting date, she did not hold, either directly or through any related parties, any securities issued by Banif – Banco de Investimento, SA (including shares and/or financial instruments related to these) and/or any companies with which it is in a controlling or group relationship.

António Manuel Gouveia Ribeiro Henriques (Vice-Chairman)
This member was appointed on 17/02/2016 and began duties on 18/02/2016. At the reporting date, he did not hold, either directly or through any related parties, any securities issued by Banif – Banco de Investimento, SA (including shares and/or financial instruments related to these) and/or any companies with which it is in a controlling or group relationship.

Bernardo Maya Múrias Afonso (Member)
This member was appointed on 17/02/2016 and began duties on 01/03/2016. At the reporting date, he did not hold, either directly or through any related parties, any securities issued by Banif – Banco de Investimento, SA (including shares and/or financial instruments related to these) and/or any companies with which it is in a controlling or group relationship.

SUPERVISORY BOARD

Issuf Ahmad (Chairman)
This member was appointed on 19 April 2016. At the reporting date, he did not hold, either directly or through any related parties, any securities issued by Banif – Banco de Investimento, SA

(including shares and/or financial instruments related to these) and/or any companies with which it is in a controlling or group relationship.

Elsa Cristina Costa Pires Santana Ramalho (Member)

This member was appointed on 19 April 2016. At the reporting date, she did not hold, either directly or through any related parties, any securities issued by Banif – Banco de Investimento, SA (including shares and/or financial instruments related to these) and/or any companies with which it is in a controlling or group relationship.

Ernesto Jorge de Macedo Lopes Ferreira (Member)

This member was appointed on 19 April 2016. At the reporting date, he did not hold, either directly or through any related parties, any securities issued by Banif – Banco de Investimento, SA (including shares and/or financial instruments related to these) and/or any companies with which it is in a controlling or group relationship.

Disclosure required under article 448 of the Portuguese Companies Code (*Código das Sociedades Comerciais*)

List of those shareholders referred to in no. 4 of article 448 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), with reference to 31 December 2016.

Holder	%
Oitante, S.A.	100%

Information on own shares under article 324 of the Portuguese Companies Code (*Código das Sociedades Comerciais*)

In 2016, there were no transactions of own shares pursuant to no. 2 of article 324 of the Portuguese Companies Code (*Código das Sociedades Comerciais*). As at 31 December 2016, the company did not hold any of its own shares.

Disclosure regarding shares and bonds issued by companies in the Oitante perimeter traded and/or held, during 2016, by companies in the same perimeter.

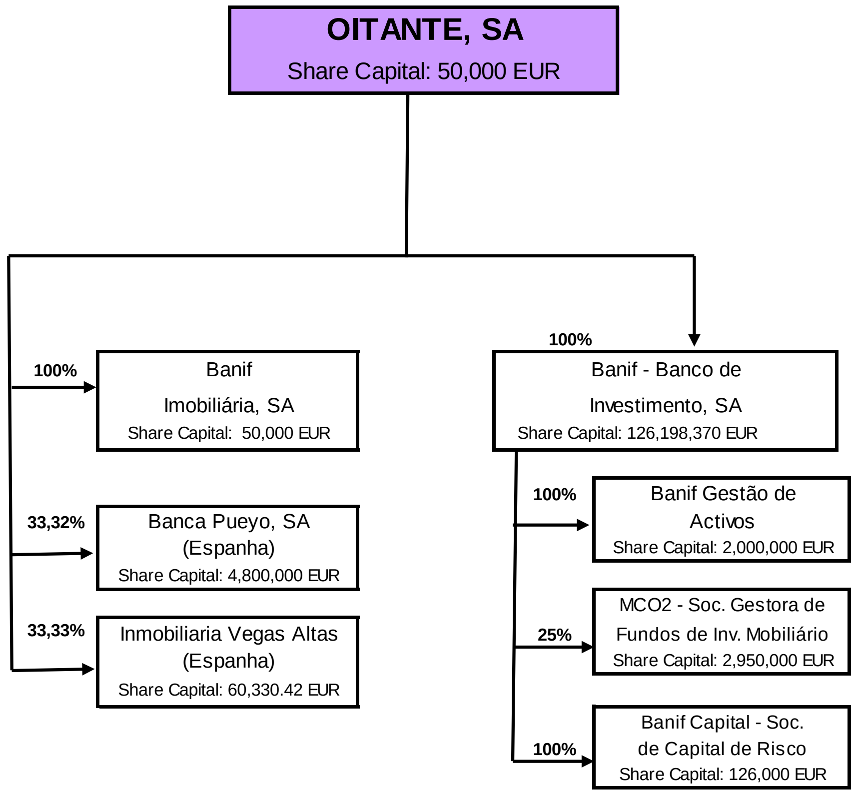
The following information details the shares and bonds of Oitante, SA perimeter traded and/or held by companies within the same Group, during the period in question.

	MOVEMENTS			31/12/2016
	Transaction	Date	Quantity	Quantity
Oitante, SA				
Shares				
Banif Pensões, SA	Sale	30/12/2016	-40,000	0
Wil				309,375
Banif Imobiliária, SA	Share Capital Decrease	16/11/2016	-39,980,000	20,000
Investaçor SGPS, SA	Sale	16/03/2016	-1,183,900	0
Banif - Banco de Investimento, SA	Share Capital Increase	27/12/2016	2,351,674	25,239,674
Açoreana Seguros, SA	Sale	23/03/2016	-12,930,529	0
Banif Bank Malta, Plc	Sale	04/10/2016	-25,500,000	0
Banca Pueyo, SA				9,996,000
Inmobiliária Vegas Altas				669
Participation units				
Banif Imopredial				6,940,645
Banif Renda Habitação	Share Capital Decrease	27/12/2016	-2,586	58,250
Porto Novo FIIF				41,575
Citation				22,869
Pabyfundo	Share Capital Decrease	31/05/2016	-51,346	135,541
Banif Portugal Crescimento	Share Capital Decrease	24/06/2016	-1,000,000	4,000,000
Bonds (Group)				
Açoreana Tx Var. Dez 2017	Sale	23/03/2016	-4,460,000	0
Banif - Banco Investimento Sub. Perp.				726,000
Banif International Asset Management				
Shares				
Banif Multifund, Ltd Shares				100
Banif - Banco de Investimento, SA				
Shares				
Banif Gestão Activos, SA Shares				400,000
Banif Pensões, SA Shares	Sale	30/12/2016	-209,000	0
Banif Capital, SA Shares				150,000
Gamma STC, SA Shares	Sale	30/12/2016	-50,000	0
Banif International Asset Management Shares				50,000
Participation units				
Banif Imogest				210,182
Banif Property				887
Art Invest				312,900
Banif Reabilitação Urbana	Liquidation	13/12/2016	-751	0
Banif Imopredial				3,784,630
Turirent				11,803
Porto Novo FIIF				20,788
Banif US Real Estate				126,845
Banif Imobiliária				
Shares				
Wil - Projectos Turísticos, SA Shares				309,375
Participation units				
Banif Imopredial				33,252,845
Banif Imogest				2,798,502
Banif Property				45,663
Banif Renda Habitação	Share Capital Decrease	27/12/2016	-1,341	30,190
Banif Gestão Imobiliária				25,000

Disclosure required under article 486 of the Portuguese Companies Code *(Código das Sociedades Comerciais)*

See the holdings diagram in the following figure.

OITANTE GROUP
DIAGRAM
31-12-2016



Were considered companies with greater importance for the Group

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banif – Banco de Investimento, S.A. (the Bank), which comprise the statement of financial position as at December 31, 2016 (which shows total assets of Euro 124,567 thousand and total shareholders' equity of Euro 22,187 thousand, including a net loss of Euro 5,791 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Banif – Banco de Investimento, S.A. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

As referred to in Note 39 of the Notes to the financial statements and in Chapter 5 of the Bank's Management report, on December 20, 2015, the Banco de Portugal deliberated, under paragraph 1 of article No. 146 of the Legal Framework of Credit Institutions and Financial Companies, approved by Decree-Law No. 298/92, of December 31, to apply a resolution measure to the sole shareholder of the Bank, Banif – Banco Internacional do Funchal, S.A. (Banif), following which the ownership of the share capital of the Bank was transferred to Oitante, S.A. (Oitante), an asset management vehicle which sole shareholder is the Fundo de Resolução. Said resolution measure originated a significant decrease in the activity and in the business generation capacity of the Bank, and of its subsidiaries, which was substantially dependent on Banif.

In the scope of a sale process subsequently initiated, an agreement was reached, last August 11, 2016, to sell the entire share capital and shareholder credits of the Bank to Bison Capital Financial Holdings (Hong Kong) Limited (Investor), a deal which conclusion is pending the necessary authorizations of

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

the supervisory entities and the formalization of a number of precedent conditions foreseen in said agreement. In this context, the continuity of the operations of the Bank is significantly dependent on the conclusion of the sale process and on the strategic plan the new shareholder comes to define and implement.

Our opinion is not modified in respect of this matter.

Emphasis

As disclosed in Note 36 of the Notes to the financial statements, as of December 31, 2016 the Bank is not complying with the large exposure limits foreseen in article No. 395 of the Regulation (EU) 575/2013, of the Parliament and Council, of June 26, 2013. The plan to remedy said non-compliance is being delineated by the Bank's sole shareholder, together with the Investor, in the scope of the negotiations maintained in the context of the purchase and sale agreement of the entire share capital and shareholder credits of the Bank formalized between the parties.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty relating to going concern" section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	***Summary of the Audit Approach***
Non-current assets held for sale	
Measurement and disclosure related with non-current assets held for sale presented in Notes 2.9, 11 and 33 of the Bank's financial statements These assets constituted a matter of relevance for the purposes of our audit, due to their importance in the context of the financial statements of the Bank and the degree of complexity associated with their measurement, which requires the application of a set of assumptions and judgments by Management, as regards the recoverable amount of the assets through their sale and the determination of the date on which same occurs. As at December 31, 2016, the gross amount of	The audit work we have undertaken has included the identification and understanding of the procedures instituted by the Bank to ensure that the valuation of non-current assets held for sale is adequate. For the properties, their valuation and, where applicable, the impairment loss recorded based on the valuations of expert appraisers was analyzed. To this end, we held meetings aimed at understanding the methodologies and procedures supporting the judgments and assumptions adopted in the valuation attributed to the properties under analysis and appraising the qualifications of the expert appraisers, including confirmation of their registration with the CMVM.

Key Audit Matter	*Summary of the Audit Approach*
these assets totals Euro 14,070 thousand (financial shareholdings: Euros 8,040 thousand; and properties: Euro 6,030 thousand) and the amount of the corresponding impairment losses recognized as of that date totals Euro 5,491 thousand (financial shareholdings: Euro 3,868 thousand; and properties: Euro 1,623 thousand). During the 2016 financial year, the Bank classified its investment in subsidiaries and associated companies as discontinued units, following the sale agreement of its entire share capital and shareholder credits, established between Oitante and a promissory buyer. Consequently, the result of these operations is disclosed in a separate line in the financial statements, amounting to Euro 3,123 thousand as at December 31, 2016. In accordance with the policies in force at the Bank, properties are subject to periodic valuations, carried out by CMVM registered expert appraisers, which originate the recording of impairment losses whenever the amount determined by said valuations is lower than the respective net book value.	For the investments in subsidiaries and associated companies classified as discontinued units as of December 31, 2016, we (i) reviewed the documentation associated with the Bank's monitoring and evaluation of indications of impairment of these investments; (ii) appraised the estimated sales value calculation prepared by the Bank, including the assumptions used by Management, comparing same with the data we could independently obtain, including the terms and conditions of the negotiations already initiated of the sale of the entire share capital of the Bank; and (iii) challenged the standpoint of those responsible for the Bank regarding the economic and financial situation of the subsidiaries and associated companies, and the expected cash flow forecasts from their respective businesses. In order to appraise the results of the discontinued operations recognized as of December 31, 2016, we reviewed the documentation on the most significant transactions and relevant events that occurred during the financial year.
Fair value of financial instruments	
Measurement and disclosure related with the fair value of financial instruments presented in Notes 2.4, 2.8, 8, 22, 36 and 37 of the Bank's financial statements As at December 31, 2016, the amount of the financial instruments measured at fair value, presented in the statement of financial position of the Bank under the headings of financial assets held for trading and available-for-sale, and other financial assets at fair value through profit or loss, totals Euro 71,012 thousand (2015: Euro 76,468 thousand). The valuation of these financial instruments involves judgment regarding the selection of the measurement basis for each type of investment and, specifically, as regards the measurement of less liquid investments, such as shares not listed on	The audit procedures we have undertaken included the identification and understanding of the processes instituted by the Bank to identify, measure and monitor market risk, as well as to define the methodologies, data and assumptions used to determine fair value. In this context, our procedures included (i) the analysis of the conversion of data from basic IT systems to fair value measurement models and the results of these to the financial statements of the Bank; (ii) the appraisal of the fair value measurement models defined by the Bank, including the assumptions used for the purposes by Management; and (iii) the internal governance associated with the fair value determination and approval process.

Key Audit Matter	*Summary of the Audit Approach*
active markets and participation units in investment and restructuring funds. For financial instruments actively traded and for which quotations or other market indicators are available, the Bank establishes fair value based on their closing price or quotation as at the balance sheet date, which is an objective exercise (level 1 of the fair value measurement hierarchy foreseen under IFRS). However, when such observable market data is not available, fair value is determined using estimates (levels 2 and 3 of said hierarchy), through the application of measurement models that usually incorporate management decisions and involve a high degree of judgment and the use of a set of assumptions, or discounted cash-flow techniques, the changes of which may have material impacts on the fair value of the financial instruments. To that extent, this constituted a matter of relevance for the purposes of our audit. As at December 31, 2016, financial instruments measured at fair value in the balance sheet are classified into levels 1 through 3 of the fair value measurement hierarchy.	For a sample of financial instruments classified in level 1, we compared the fair value determined by the Bank with public information available in the market. For a sample of instruments which measurement was substantially based on non-observable data (level 3), we reviewed the models and the main assumptions used by Management, comparing them, whenever possible, with data obtained independently.
Impairment losses of the customer loan portfolio and other assets ***Measurement and disclosure related with the impairment losses of the customer loan portfolio and other assets presented in Notes 2.4, 2.8, 10, 22 and 36.1 a) of the Bank's financial statements*** The subjective process of recognizing impairment losses of the customer loan portfolio and other assets, the determination of which requires the application of a set of complex assumptions and judgments on the part of the Management of the Bank as regards the identification, both of the moment of recognition and of the corresponding amount, justifies that this constituted a matter of relevance for the purposes of our audit.	The audit procedures we have undertaken included the identification and understanding of the procedures established by the Bank for the approval, recording and monitoring of the customer loan portfolio and other assets, as well as the understanding of the methodologies, data and assumptions adopted by Management in determining the impairment losses. For a representative sample of the customer loan portfolio and other accounts receivable as at December 31, 2016, the procedures undertaken consisted of: (i) the review of the documentation associated with the credit granting process; (ii) the analysis of the contractual support and of the most relevant collateral, and confirmation of the registration of said collateral in favor of the

Key Audit Matter	Summary of the Audit Approach
As at December 31, 2016, the gross amount of these headings totals Euro 15,311 thousand (2015: Euro 36,432 thousand) and impairment losses recognized as at that date total Euro 7,111 thousand (2015: Euro 10,691 thousand). The Bank undertakes an individual impairment analysis process of customers presenting more significant exposures, evaluated in terms of the amount of their liabilities, the existence of indications of default and of their surveillance rating according to the criteria defined for internal purposes by the Bank. For these customers, the impairment is determined through a detailed analysis of the economic and financial position of each individual customer, with reference to (i) the estimated cash flows that may be generated by the customer in the fulfillment of its responsibilities or (ii) the valuation of the collateral received in the scope of the loan granted, whenever it is anticipated that its recovery will occur through the delivery/execution of said collateral.	Bank; (iii) questioning the collateral valuations available; (iv) the assessment of the evolution of the exposures; and (v) challenging the standpoint of those responsible for the Bank regarding the economic and financial situation of the customers, and the expected cash flow forecasts from their respective businesses, as well as the loan collectability prospects. Whenever we concluded that there was a need to review some input or assumption used by Management, we recalculated the amount of the impairment and compared the results in order to assess the existence of any discrepancies.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Management report, including the Corporate governance report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank’s ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank’s ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank’s financial information.

Auditor’s responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) 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 Bank’s internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

d) conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Management report is consistent with the financial statements.

Report on other legal and regulatory requirements

Management report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Management report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Management report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of the Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banif – Banco de Investimento, S.A. in the Shareholders' General Meeting of May 9, 2014 for the financial year ended on December 31, of that year, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of September 22, 2015 for the period 2015 through 2017.

b) Management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect on the financial statements. We have maintained professional skepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board as of April 28, 2017.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remained independent of the Bank in conducting our audit.

April 28, 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

José Manuel Henriques Bernardo, R.O.C.

(This is a translation, not to be signed)

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banif – Banco de Investimento, S.A. (the Bank), which comprise the consolidated balance sheet statement as at December 31, 2016 (which shows total assets of Euro 126,153 thousand and total shareholders' equity of Euro 24,230 thousand including a net loss of Euro 10,473 thousand), the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banif – Banco de Investimento, S.A. as at December 31, 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

As referred to in Note 44 of the Notes to the consolidated financial statements and in Chapter 5 of the Bank's Management report, on December 20, 2015, the Banco de Portugal deliberated, under paragraph 1 of article No. 146 of the Legal Framework of Credit Institutions and Financial Companies, approved by Decree-Law No. 298/92, of December 31, to apply a resolution measure to the sole shareholder of the Bank, Banif – Banco Internacional do Funchal, S.A. (Banif), following which the ownership of the share capital of the Bank was transferred to Oitante, S.A. (Oitante), an asset management vehicle which sole shareholder is the Fundo de Resolução. Said resolution measure originated a significant decrease in the activity and in the business generation capacity of the Bank, and of its subsidiaries, which was substantially dependent on Banif.

In the scope of a sale process subsequently initiated, an agreement was reached, last August 11, 2016, to sell the entire share capital and shareholder credits of the Bank to Bison Capital Financial Holdings (Hong Kong) Limited (Investor), a deal which conclusion is pending the necessary authorizations of the supervisory entities and the formalization of a number of precedent conditions foreseen in said agreement. In this context, the continuity of the operations of the Bank is significantly dependent on the conclusion of the sale process and on the strategic plan the new shareholder comes to define and implement.

Our opinion is not modified in respect of this matter.

Emphasis

As disclosed in Note 41 of the Notes to the financial statements, as of December 31, 2016 the Bank is not complying with the large exposure limits foreseen in article No. 395 of the Regulation (EU) 575/2013, of the Parliament and Council, of June 26, 2013. The plan to remedy said non-compliance is being delineated by the Bank's sole shareholder, together with the Investor, in the scope of the negotiations maintained in the context of the purchase and sale agreement of the entire share capital and shareholder credits of the Bank formalized between the parties.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty relating to going concern" section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	***Summary of the Audit Approach***
Non-current assets held for sale	
Measurement and disclosures related with non-current assets held for sale presented in Notes 2.14, 12 and 38 of the Bank's consolidated financial statements These assets constituted a matter of relevance for the purposes of our audit, due to their importance in the context of the financial statements of the Bank and the degree of complexity associated with their measurement, which requires the application of a set of assumptions and judgments by Management, as regards the recoverable amount of the assets through their sale and the determination of the	The audit work we have undertaken has included the identification and understanding of the procedures instituted by the Bank to ensure that the valuation of non-current assets held for sale is adequate. For the properties, their valuation and, where applicable, the impairment loss recorded based on the valuations of expert appraisers was analyzed. To this end, we held meetings aimed at understanding the methodologies and procedures supporting the judgments and assumptions adopted in the valuation attributed to the properties under analysis and appraising

Key Audit Matter	*Summary of the Audit Approach*
date on which same occurs. As at December 31, 2016, the gross amount of these assets totals Euro 11,470 thousand (discontinued units: Euros 5,440 thousand; and properties: Euro 6,030 thousand) and the amount of the corresponding impairment losses recognized as of that date totals Euro 1,623 thousand. During the 2016 financial year, the Bank classified its investment in subsidiaries and associated companies as discontinued units, following the sale agreement of its entire share capital and shareholder credits, established between Oitante and a promissory buyer. Consequently, the result of these operations is disclosed in a separate line in the financial statements, amounting to Euro 2,594 thousand as at December 31, 2016. In accordance with the policies in force at the Bank, properties are subject to periodic valuations, carried out by CMVM registered expert appraisers, which originate the recording of impairment losses whenever the amount determined by said valuations is lower than the respective net book value.	the qualifications of the expert appraisers, including confirmation of their registration with the CMVM. For the investments in subsidiaries and associated companies classified as discontinued units as of December 31, 2016, we (i) reviewed the documentation associated with the Bank's monitoring and evaluation of indications of impairment of these investments; (ii) appraised the estimated sales value calculation prepared by the Bank, including the assumptions used by Management, comparing same with the data we could independently obtain, including the terms and conditions of the negotiations already initiated of the sale of the entire share capital of the Bank; and (iii) challenged the standpoint of those responsible for the Bank regarding the economic and financial situation of the subsidiaries and associated companies, and the expected cash flow forecasts from their respective businesses. In order to appraise the results of the discontinued operations recognized as of December 31, 2016, we reviewed the documentation on the most significant transactions and relevant events that occurred during the financial year.
Fair value of financial instruments	
Measurement and disclosure related with the fair value of financial instruments presented in Notes 2.4, 2.11, 7, 8, 9, 25, 41 and 42 of the Bank's financial statements As at December 31, 2016, the amount of the financial instruments measured at fair value, presented in the consolidated statement of financial position of the Bank under the headings of financial assets held for trading and available-for-sale, and other financial assets at fair value through profit or loss, totals Euro 63,810 thousand (2015: Euro 71,512 thousand). The valuation of these financial instruments involves judgment regarding the selection of the	The audit procedures we have undertaken included the identification and understanding of the processes instituted by the Bank to identify, measure and monitor market risk, as well as to define the methodologies, data and assumptions used to determine fair value. In this context, our procedures included (i) the analysis of the conversion of data from basic IT systems to fair value measurement models and the results of these to the financial statements of the Bank; (ii) the appraisal of the fair value measurement models defined by the Bank, including the assumptions used for the purposes by Management; and (iii) the internal governance

Key Audit Matter	*Summary of the Audit Approach*
measurement basis for each type of investment and, specifically, as regards the measurement of less liquid investments, such as shares not listed on active markets and participation units in investment and restructuring funds. For financial instruments actively traded and for which quotations or other market indicators are available, the Bank establishes fair value based on their closing price or quotation as at the balance sheet date, which is an objective exercise (level 1 of the fair value measurement hierarchy foreseen under IFRS). However, when such observable market data is not available, fair value is determined using estimates (levels 2 and 3 of said hierarchy), through the application of measurement models that usually incorporate management decisions and involve a high degree of judgment and the use of a set of assumptions, or discounted cash-flow techniques, the changes of which may have material impacts on the fair value of the financial instruments. To that extent, this constituted a matter of relevance for the purposes of our audit. As at December 31, 2016, financial instruments measured at fair value in the balance sheet are classified into levels 1 through 3 of the fair value measurement hierarchy.	associated with the fair value determination and approval process. For a sample of financial instruments classified in level 1, we compared the fair value determined by the Bank with public information available in the market. For a sample of instruments which measurement was substantially based on non-observable data (level 3), we reviewed the models and the main assumptions used by Management, comparing them, whenever possible, with data obtained independently.
Impairment losses of the customer loan portfolio and other assets	
Measurement and disclosure related with the impairment losses of the customer loan portfolio and other assets presented in Notes 2.4, 2.11, 19, 25 and 41.1 a) of the Bank's consolidated financial statements The subjective process of recognizing impairment losses of the customer loan portfolio and other assets, the determination of which requires the application of a set of complex assumptions and judgments on the part of the Management of the Bank as regards the identification, both of the moment of recognition and of the corresponding amount, justifies that this constituted a matter of relevance for the	The audit procedures we have undertaken included the identification and understanding of the procedures established by the Bank for the approval, recording and monitoring of the customer loan portfolio and other assets, as well as the understanding of the methodologies, data and assumptions adopted by Management in determining the impairment losses. For a representative sample of the customer loan portfolio and other accounts receivable as at December 31, 2016, the procedures undertaken consisted of: (i) the review of the documentation associated with the credit granting process; (ii)

Key Audit Matter	Summary of the Audit Approach
purposes of our audit. As at December 31, 2016, the gross amount of these headings totals Euro 25,371 thousand (2015: Euro 45,059 thousand) and impairment losses recognized as at that date total Euro 16,801 thousand (2015: Euro 22,343 thousand). The Bank undertakes an individual impairment analysis process of customers presenting more significant exposures, evaluated in terms of the amount of their liabilities, the existence of indications of default and of their surveillance rating according to the criteria defined for internal purposes by the Bank. For these customers, the impairment is determined through a detailed analysis of the economic and financial position of each individual customer, with reference to (i) the estimated cash flows that may be generated by the customer in the fulfillment of its responsibilities or (ii) the valuation of the collateral received in the scope of the loan granted, whenever it is anticipated that its recovery will occur through the delivery/execution of said collateral.	the analysis of the contractual support and of the most relevant collateral, and confirmation of the registration of said collateral in favor of the Bank; (iii) questioning the collateral valuations available; (iv) the assessment of the evolution of the exposures; and (v) challenging the standpoint of those responsible for the Bank regarding the economic and financial situation of the customers, and the expected cash flow forecasts from their respective businesses, as well as the loan collectability prospects. Whenever we concluded that there was a need to review some input or assumption used by Management, we recalculated the amount of the impairment and compared the results in order to assess the existence of any discrepancies.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) 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;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a 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 are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banif – Banco de Investimento, S.A. in the Shareholders' General Meeting of May 9, 2014 for the financial year ended on December 31, of that year, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of September 22, 2015 for the period 2015 through 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of April 28, 2017.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

April 28, 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

José Manuel Henriques Bernardo, R.O.C.

(This is a translation, not to be signed)

REPORT AND OPINION OF THE SUPERVISORY BOARD
YEAR 2016

Introduction

1. In specific compliance with the provisions of subparagraph g) of no. 1 of article 420 of the Portuguese Companies Code (“*Código das Sociedades Comerciais*”) (PCC), the Supervisory Board (SB) of Banif - Banco de Investimento, SA (BBI) has prepared this report and opinion on the report, accounts and proposals presented by the BBI’s Board of Directors (BoD).

   Together with the firm of statutory auditors (SROC, in Portuguese) (article 25 and subsequent of the Company’s Articles of Association), the SB forms BBI’s supervisory structure, in the terms of the provisions of subparagraph b) of no. 1 of article 413 of the PCC.

2. One of the key events in 2016 was the beginning, in April, of the sale process of the shares representing BBI’s entire share capital, plus supplementary capital contributions, on the open market. These shares are wholly owned by the sole shareholder Oitante, SA. The process culminated in the signing of a share purchase and sale agreement on 3 August 2016. The closing of the transaction is now currently subject to the permission of the regulatory authorities towards the acquisition of control of the Bank by the proposed purchaser.

3. The current members of the SB were appointed in 2016, to complete the 2015-2017 current term of office, following the resignation of the previous members of the SB (two members resigned on 30 December 2015 and the chairman submitted his resignation by letter on 3 March 2016). The Bank of Portugal (BoP) authorised the new members to begin their duties as of 24 June 2016, in accordance with the provisions of no. 2 of article 30-B of the Legal Framework of Credit Institutions and Financial Companies (“*RGICSF” - Regime Geral das Instituições de Crédito e Sociedades Financeiras*).

The current members of the BoD began their duties in the first quarter of 2016 (the chairman and the vice-chairman on 18 February 2016 and the Member on 1 March 2016). Their main tasks have been the stabilisation of BBI’s operational framework and preparing for the sale of the securities representing the Bank’s entire share capital.
The SB acknowledged the resignation, for personal reasons, of the Chairman of the BoD, on 21 April 2017.

BBI's statutory auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. (PwC), referred to hereinafter as the ROC or SROC. The firm was appointed for the 2015-2017 three-year period by the general shareholders’ meeting held on 22 September 2015.

Activity carried by SB

4. The SB held its first meeting immediately after Bank of Portugal authorised it to begin its duties. It met thirteen times during the year 2016 and produced minutes for each of these meetings.

   Executive directors, representatives of the SROC and heads of the accounting, internal audit and compliance teams were invited to attend these meetings on occasion, depending on the matters scheduled for discussion. The SB participated in those BoD meetings in which the accounts for the year 2016 were discussed.

5. On 19 August 2016, the SB issued a report on the supervisory work it undertook during the course of year 2015 as well as its opinion on the management report, accounts and proposals presented by BBI’s BoD for the year in question.

   On 30 September 2016, the SB issued a report on the adequacy and efficacy of BBI’s internal control system, as this was on 31 May 2016, in compliance with BoP Notice No. 5/2008, of 25 June.

The SB also issued an opinion on the adequacy and efficacy of BBI’s internal control system, on the prevention of money laundering and the financing of terrorism, as per the terms of BoP Notice No. 9/2012, of 29 May, and in accordance with the provisions of BoP Notice No. 2/2014.

The SB approved its own internal regulations and the regulations for the services rendered by the statutory auditor.

Assessment of the report and accounts, of the external audit and of the independence of the SROC

6. The SB assessed the report and individual and consolidated accounts prepared by the BoD for the annual reporting period ending on 31 December 2016. This assessment included the separate and consolidated Financial Statements, the proposal for the application of results, the Corporate Governance Report and the corresponding Legal Certifications of the Accounts.

   The SB assessed the main accounting policies, the changes made under IAS/IFRS, the records and disclosures made in preparing the financial statements and the remainder accounts reporting documents for the reporting year ending on 31 December 2016.

7. The SB oversaw the external audit of the individual and consolidated accounts and supervised the independence of the Statutory Auditor (ROC), by examining any threats to its independence. The statutory auditor expressly stated that there were no threats to its independence and explained the additional services that it provided.

   The SB also assessed the “Additional report to the Supervisory Board”, issued by the ROC on 28 April 2017, in compliance with the provisions of nos. 1, 2 and 6 of article 24 of Decree-Law No. 148/2015, of 9 September, and of number 1 of article 63 of the Statutes of the Portuguese Institute of Statutory Auditors (EOROC, in Portuguese), as approved by Law No. 140/2015, of 7 September, which transposes European Parliament and Council Regulation

(EU) No. 537/2014, of 16 April 2014, into Portuguese law. This Report pertains to the ROC's audit of BBI's individual and consolidated accounts for the year ending 31 December 2016. The report covers a number of issues and information points that had been addressed, in general, in meetings with the SB and in other documents assessed by the SB, namely accounting and finance related issues pertained to the external audit, the verification and oversight of the independence of the SROC and the additional services provided to BBI. In the terms of sub-paragraph d) of no. 2 of article 420 of the PCC, the SB verified the independence of BBI's SROC and approved the contracting of Other non-audit services.

8. With regard to the rotation of the statutory auditor, PwC was appointed auditor to BBI, for the first time, in the general shareholders' meeting held on 9 May 2014, for the year ending on 31 December 2014, and has remained as statutory auditor until the current reporting period. The firm's most recent appointment, for the 2015-2017 three-year period, was made at the general shareholders' meeting held on 22 September 215.

9. The Bank has reported a net loss of 5.8 million euros (-10.5 million euros in consolidated terms), which compares favourably with the net loss of 39.5 million euros reported in 2015 (-41.5 million euros in consolidated terms).

   The improvement in the 2016's result is largely accounted for by the negative impact of deferred taxes in 2015, in the approximate amount of 17 million euros (zero charge in 2016), the positive impact of the change in impairments and provisions, in the approximate amount of 9.5 million euros, and the reduction in potential losses on assets and liabilities measured at fair value through profit or loss (11.7 million euros in 2015 and 6.4 million euros in 2016).

10. For the purposes of the provisions of no. 2 of article 452 of the PCC, the SB hereby states that it agrees with the legal certifications of the individual and consolidated accounts for the year ending on 31 December 2016, as issued respectively on 28 April 2017. These certifications contain no reservations regarding the accounts, although they do express some material uncertainty with respect to continuity. There is also an emphasis that notes that BBI

is not complying with the large exposure regulatory limit that is established in article 395 of European Parliament and Council Regulation (EU) No. 575/2013, of 26 June 2013.

The SB also assessed the Company's Consolidated Accounts for the same year, in compliance with the provisions of no. 1 of article 508-D of the PCC.

Proposal for the application of results

11. The Board of Directors proposes that the net loss for the year, in the amount of 5,791 thousand euros, be appropriated to Retained earnings.

Opinion on the management report, the consolidated management and accounts report

12. As a result of the carried work, the SB is able to issue a favourable opinion regarding BBI's management report and BBI's individual and consolidated Accounts for the year ending on 31 December 2016, as confirmed by the BoD in its assessment of the year's individual and consolidated accounts.

13. In these terms, and bearing in mind the information received from the BoD and other Bank bodies and departments, including BBI subsidiaries, and the conclusions, in the Legal Certifications of the Accounts issued on 28 April 2017, regarding the individual and consolidated Financial Information, we are of the opinion that the Bank's General Meeting should approve:
    a) The Management Report and Accounts for the year ending on 31 December 2016, which includes the individual and consolidated Financial Statements and the Corporate Governance Report; and

    b) The Proposal for the application of results.

A general assessment of the Company's management and supervisory structure should also be carried out, in accordance with the terms of subparagraph c) of no. 1 of article 376 of the PCC.

The SB would like to express its gratitude to BBI's various Services and to the members of its BoD for the manner in which they have collaborated with the committee in its work.

Lisbon, 3 May 2017

Issuf Ahmad, Chairman

Elsa Santana Ramalho, Member

Ernesto Ferreira, Member

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Share Capital: 126,198,370 euros
Single Registration and Tax Identification Number: 502 261 722

BBI

BANCA DE INVESTIMENTO