

2. NET INTEREST INCOME, NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES AND FROM FINANCIAL ASSETS AVAILABLE FOR SALE

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities and from financial assets available for sale, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these captions, whereby the disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging and from financial assets available for sale.

The amount of this account is comprised of:

| | (Thousands of euros) | |
|-------------------------------------------------------------------|----------------------|----------------|
| | 2017 | 2016 |
| Net interest income (note 3) | 794,209 | 720,313 |
| Net gains / (losses) from trading and hedging activities (note 6) | 25,820 | 31,739 |
| Net gains / (losses) from available for sale activities (note 7) | 116,565 | 95,794 |
| | 936,594 | 847,846 |

3. NET INTEREST INCOME

The amount of this account is comprised of:

| | (Thousands of euros) | |
|-----------------------------------------------------------------------------------------|----------------------|------------------|
| | 2017 | 2016 |
| Interest and similar income | | |
| Interest on loans | 866,040 | 961,118 |
| Interest on trading securities | 2,685 | 5,195 |
| Interest on other financial assets valued at fair value through profit or loss account | 3,422 | 3,688 |
| Interest on available for sale financial assets | 76,639 | 94,778 |
| Interest on held to maturity financial assets | 7,172 | 9,036 |
| Interest on hedging derivatives | 20,518 | 20,127 |
| Interest on derivatives associated to financial instruments through profit or loss | 15,865 | 17,173 |
| Interest on deposits and other investments | 20,969 | 19,952 |
| | 1,013,310 | 1,131,067 |
| Interest expense and similar charges | | |
| Interest on deposits and other resources | (91,461) | (158,430) |
| Interest on securities issued | (67,825) | (127,814) |
| Interest on subordinated debt | | |
| Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State | (6,343) | (65,525) |
| Others | (40,735) | (40,405) |
| Interest on hedging derivatives | (7,514) | (7,162) |
| Interest on derivatives associated to financial instruments through profit or loss | (5,223) | (11,418) |
| | (219,101) | (410,754) |
| | 794,209 | 720,313 |

The balance Interest on loans includes the amount of Euros 35,530,000 (31 December 2016: Euros 39,747,000) related to commissions and other gain which are accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 36,601,000 (31 December 2016: Euros 60,652,000) related to commissions and other losses which are accounted according to the effective interest method, as referred in the accounting policy described in note 1m).

The balance Net interest income includes the amount of Euros 96,664,000 (31 December 2016: Euros 110,511,000) related with interest income arising from customers with signs of impairment.

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

| | (Thousands of euros) | |
|------------------------------------------------------|----------------------|----------------|
| | 2017 | 2016 |
| Dividends from financial assets available for sale | 1,399 | 7,387 |
| Dividends from subsidiaries and associated companies | 71,798 | 207,789 |
| | 73,197 | 215,176 |

The balance Dividends from financial assets available for sale include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2017, the amounts of Euros 14,860,000 and Euros 4,444,000 related to the distribution of dividends from the company Banco de Investimento Imobiliário, S.A. and Interfundos Gestão de Fundos de Investimento Imobiliários, S.A., respectively. The balance Dividends from subsidiaries and associated companies includes as of 31 December 2016, the amounts of Euros 32,157,000, and Euros 132,728,000, and Euros 23,400,000 related to the distribution of dividends from the company BCP Investment B.V., BCP Internacional B.V. and Banco de Investimento Imobiliário, S.A., respectively.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

| | (Thousands of euros) | |
|----------------------------------------------------|----------------------|-----------------|
| | 2017 | 2016 |
| Fees and commissions received | | |
| From guarantees | 50,303 | 55,503 |
| From commitments | 4,465 | 3,815 |
| From banking services | 287,714 | 268,431 |
| From securities operations | 61,002 | 59,822 |
| From management and maintenance of accounts | 92,503 | 90,481 |
| From other commissions | 25,737 | 34,663 |
| | 521,724 | 512,715 |
| Fees and commissions paid | | |
| From guarantees received provided by third parties | (8,087) | (7,744) |
| From banking services | (56,088) | (45,519) |
| From securities operations | (5,814) | (7,599) |
| From other commissions | (18,479) | (17,520) |
| | (88,468) | (78,382) |
| | 433,256 | 434,333 |

The balance Fees and commissions received - From banking services includes the amount of Euros 77,812,000 (31 December 2016: Euros 76,450,000) related to insurance mediation commissions, as referred in note 45 c).