

## 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)                                | 1,391,275            | 1,230,126        |
| Net gains from trading and hedging assets (note 6)          | 45,346               | 101,827          |
| Net gains from financial assets available for sale (note 7) | 103,030              | 138,540          |
|   | <b>1,539,651</b>     | <b>1,470,493</b> |

## 3. NET INTEREST INCOME

The amount of this account is comprised of:

|  | (Thousands of euros) |                  |
|--|----------------------|------------------|
|  | 2017                 | 2016             |
| <b>Interest and similar income</b>   |                      |                  |
| Interest on loans  | 1,513,194            | 1,547,745        |
| Interest on trading securities   | 4,915                | 6,447            |
| 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  | 230,045              | 199,404          |
| Interest on held to maturity financial assets  | 19,231               | 9,983            |
| Interest on hedging derivatives  | 92,488               | 96,627           |
| Interest on derivatives associated to financial instruments through profit or loss account | 15,865               | 17,176           |
| Interest on deposits and other investments   | 35,050               | 28,927           |
|  | <b>1,914,210</b>     | <b>1,909,997</b> |
| <b>Interest expense and similar charges</b>  |                      |                  |
| Interest on deposits and other resources   | (352,999)            | (388,905)        |
| Interest on securities issued  | (78,847)             | (140,295)        |
| Interest on subordinated debt  |                      |                  |
| Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State    | (6,343)              | (65,525)         |
| Others   | (58,373)             | (57,091)         |
| Interest on hedging derivatives  | (21,150)             | (16,637)         |
| Interest on derivatives associated to financial instruments through profit or loss account | (5,223)              | (11,418)         |
|  | <b>(522,935)</b>     | <b>(679,871)</b> |
|  | <b>1,391,275</b>     | <b>1,230,126</b> |

The balance Interest on loans includes the amount of Euros 45,514,000 (2016: Euros 42,672,000) related to commissions and other gains accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1 m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 42,250,000 (2016: Euros 66,052,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 116,339,000 (2016: Euros 135,047,000) related to interest income arising from customers with signs of impairment (individual and collective analysis).

#### 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 | 1,750                | 7,709        |
| Dividends from financial assets held for trading   | 4                    | 5            |
|  | <b>1,754</b>         | <b>7,714</b> |

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

#### 5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

|  | (Thousands of euros) |                  |
|--|----------------------|------------------|
|  | 2017                 | 2016             |
| <b>Fees and commissions received</b>               |                      |                  |
| From guarantees                                    | 61,699               | 68,342           |
| From commitments                                   | 4,465                | 3,816            |
| From banking services                              | 480,000              | 409,009          |
| From insurance activity commissions                | 1,054                | 1,239            |
| From securities operations                         | 87,577               | 96,614           |
| From management and maintenance of accounts        | 103,839              | 90,556           |
| From fiduciary and trust activities                | 656                  | 758              |
| From other commissions                             | 41,924               | 73,521           |
|  | <b>781,214</b>       | <b>743,855</b>   |
| <b>Fees and commissions paid</b>                   |                      |                  |
| From guarantees received provided by third parties | (5,885)              | (5,694)          |
| From banking services                              | (83,889)             | (69,257)         |
| From insurance activity commissions                | (1,543)              | (1,137)          |
| From securities operations                         | (10,098)             | (12,031)         |
| From other commissions                             | (13,102)             | (11,902)         |
|  | <b>(114,517)</b>     | <b>(100,021)</b> |
|  | <b>666,697</b>       | <b>643,834</b>   |

The balance Fees and commissions received - From banking services includes the amount of Euros 78,108,000 (2016: Euros 76,705,000) related to insurance mediation commissions in Portugal, as referred in note 50 c).