
Q1 2018

Report & Accounts

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Pursuant to article 10 of the Regulation 5/2008 of the CMVM, please find herein the transcription of the

Q1 2018 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment

Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital 5,600,738,053.72 Euros

Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

Millennium
bcp

The Q1 2018 Report & Accounts is a translation of the “Relatório e Contas do 1º Trimestre de 2018” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas do 1º Trimestre de 2018” prevails.

All references in this document to the application of any regulations and rules refer to the respective version currently in force.

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Joint Message of the Chairman of the Board of Directors and of the CEO

Over the course of the first quarter of this year, the economies of the countries where Millennium bcp is present have accompanied the current global expansionary cycle.

For 2018 the main international organizations forecast that the Portuguese economy will continue to grow above its potential rate, though a modest deceleration of the GDP growth pace is expected when compared to the 2.7% increase registered in 2017. Net external debt also declined compared with the previous year, powered by robust national exports. In Poland the International Monetary Fund forecasts economic activity to remain at a high level of dynamism, while in Angola and Mozambique the process of macroeconomic and financial stabilization is expected to continue, contributing to greater strength for their economies.

For Millennium bcp, the first quarter of 2018 was positive, in line with expectations. The bank continued to improve its recurrent results, presenting consolidated net profit of Euro 85.6 million, a 70.8% increase compared with the Euro 50.1 million registered in the first quarter of 2017.

The core result rose to Euro 266.6 million and efficiency continued to improve, with the cost to core income¹ ratio reaching 48%, which makes it the most efficient bank in Portugal and one of the most efficient in the euro zone.

In terms of non-performing exposures (NPEs), we achieved a reduction of around Euro 500 million, which confirms the decreasing trend that the bank has been implementing. There was also a significant strengthening of the coverage for impairment to 46% and of total coverage, including guarantees, to 105%. In terms of capital, the Common Equity Tier 1 ratio reached 11.8% on a fully-implemented basis, and 11.9% on a phased-in basis, both of which are comfortably higher than the minimum requirement. In terms of liquidity, the ratio of net loans to deposits was 91%, which is balanced and comfortable.

The first quarter of this year featured a positive evolution of the business, with particular emphasis on the addition of customers and deposits. The total number of active customers of the group rose to 5.6 million, an increase of more than 380,000 customers compared with March 31, 2017. ActivoBank added 72% more customers than in the year-before period, increasing its customer base to around 180,000. Total customer deposits rose to Euro 72.7 billion, a 5.7% increase compared with the previous period, while the performing loan portfolio grew 1.6%.

In Portugal the net profit was Euro 44.5 million, which compares favorably with the Euro 9 million registered in the first quarter of 2017. Commercial performance was particularly noteworthy, with 110,000 new customers added and more than 120,000 new digital customers. In the first quarter we launched a 100% digital online account opening service, underlining the bank's market position as a leader in digital innovation. In terms of quality indicators, Millennium bcp is leader based on the BASEF index for satisfaction with the quality of our products.

As for our international operations, their contribution to the group bottom line was Euro 41.1 million, stable and in line with the previous year.

Bank Millennium in Poland posted net profit of Euro 37.2 million and an ROE of 8.2%. In Mozambique the net profit reached Euro 24.7 million (+19.2% from the first quarter of 2017) and the ROE was 25.9%. The contribution from Banco Millennium Atlântico in Angola was affected by the application of the accounting norm IAS 29, resulting from Angola being considered a hyperinflationary economy. Excluding this impact, which meant that the net contribution from Angola in the first quarter was only slightly positive (0.7 million Kwanzas), the contribution would have been Euro 4.1 million.

¹ Operating costs / (financial margin + commissions). Adjusted for non-recurring items

The year 2018 is certain to mark a new cycle for the life of the bank. The results presented in this quarter are already proof of this fact. With the termination of the commitments and obligations agreed under the restructuring plan with DGComp, and with which we complied fully, Millennium bcp is now focused on growing its business, to assume its natural position as leader in Portugal and a reference bank in the other countries where we are present.



Nuno Amado
Chief Executive Officer
Vice-Chairman of the Board
of Directors

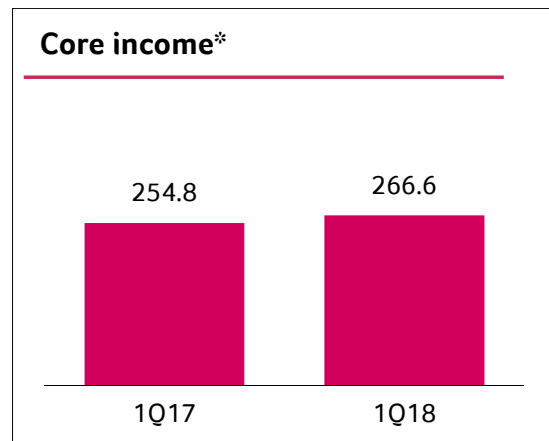
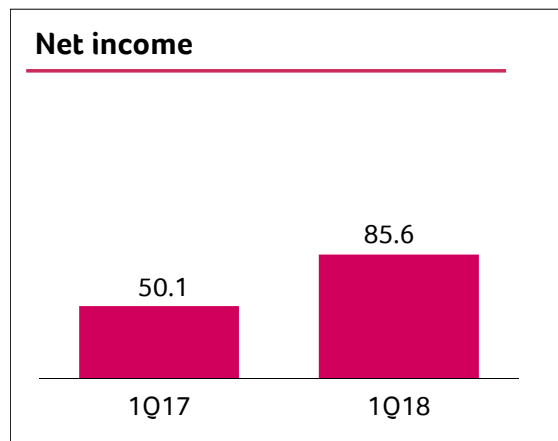


António Monteiro
Chairman of the Board
of Directors

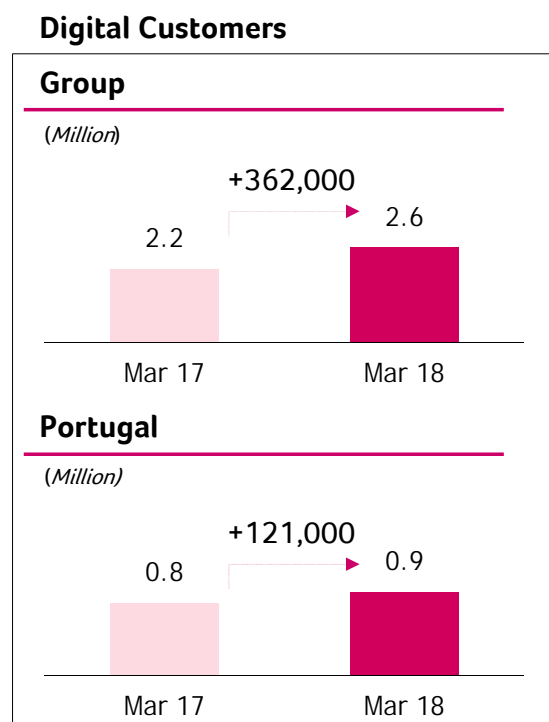
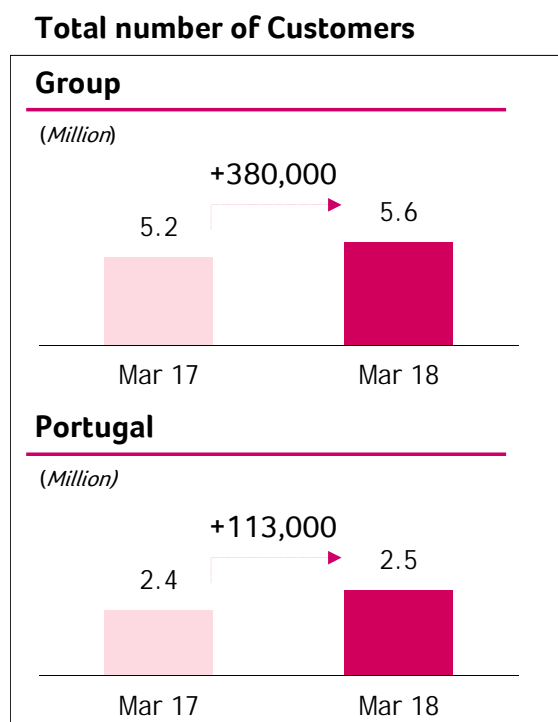
Information on the BCP Group

BCP in Q1 2018

Millennium bcp, a bank ready for the future ...



*Core income = Net interest income + Commissions – Operating Costs



... and well positioned in a fast changing sector, following a restructuring plan already successfully implemented over the past few years

Main Indicators

	Euro million		
	31 Mar. 18	31 Mar. 17	Change 18/17
BALANCE SHEET			
Total assets	72,674	72,077	0.8%
Loans to customers (gross) (1)	50,959	52,242	-2.5%
Total customer funds (2)	72,669	68,769	5.7%
Balance sheet customer funds	53,792	51,673	4.1%
Resources from customers	52,390	50,138	4.5%
Loans to customers (net) / Resources from customers (3)(4)	91%	97%	
Loans to customers (net) / Balance sheet customer funds (3)	88%	94%	
RESULTS			
Net income	85.6	50.1	70.8%
Net interest income	344.8	332.3	3.8%
Net operating revenues	537.8	534.0	0.7%
Operating costs	246.0	238.3	3.2%
Operating costs excluding specific items (5)	242.6	230.6	5.2%
Loan impairment charges (net of recoveries)	106.1	148.9	-28.8%
Other impairment and provisions	23.9	54.3	-56.1%
Income taxes			
Current	23.1	27.9	
Deferred	26.2	(8.8)	
PROFITABILITY			
Net operating revenues / Average net assets (4)	3.0%	3.0%	
Return on average assets (ROA) (6)	0.6%	0.4%	
Income before tax and non-controlling interests / Average net assets (4)	0.9%	0.5%	
Return on average equity (ROE)	6.1%	4.1%	
Income before tax and non-controlling interests / Average equity (4)	9.7%	6.3%	
CREDIT QUALITY			
Total impairment (balance sheet) / Loans to customers (1)(7)	6.8%	7.1%	
Cost of risk (net of recoveries, in b.p.)	85	114	
Non-Performing Exposures / Loans to customers (1)	14.0%	17.5%	
Restructured loans / Loans to customers (1)	8.1%	9.4%	
EFFICIENCY RATIOS (4) (5)			
Operating costs / Net operating revenues	45.1%	43.2%	
Operating costs / Net operating revenues (Portugal activity)	45.0%	42.5%	
Staff costs / Net operating revenues	25.8%	24.2%	
CAPITAL (8)			
Common equity tier I phased-in	11.9%	13.0%	
Common equity tier I fully implemented	11.8%	11.2%	
BRANCHES			
Portugal activity	578	615	-6.0%
Foreign activity	547	542	0.9%
EMPLOYEES			
Portugal activity	7,155	7,327	-2.3%
Foreign activity	8,555	8,469	1.0%

(1) Loans to customers (gross) is presented considering the management criteria of the Group. As at 31 March 2018, includes loans to customers at amortised cost before impairment (Euro 50,095 million) and loans to customers at fair value through profit or loss before fair value adjustments (Euro 864 million).

(2) Total customer funds of Millennium bcp were redefined, with reference to 30 September 2017, reflecting, a broader concept in order to include amounts held by customers as part of existing agreements for their placement and management, considering comparable amounts for 31 March 2017.

(3) Loans to customers (net) corresponds to loans to customers at amortised cost net of impairments (Euro 46,950 million) plus balance sheet value of loans to customers at fair value through profit or loss (Euro 562 million).

(4) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(5) Excludes specific items: negative impact in staff costs related to restructuring costs and the revision of Collective Labour Agreement (Euro 3.5 million in the first quarter of 2018 and Euro 7.7 million in the first quarter of 2017).

(6) Considering net income before non-controlling interests.

(7) The amount of impairment considered for the purposes of coverage ratios presented underlies the management criteria adopted by the Group. As at 31 March 2018 includes the balance sheet impairment of loans to customers at amortised cost (Euro 3,145 million) and the fair value adjustments associated to loans to customers at fair value through profit or loss (Euro 302 million).

(8) March 2018 and March 2017 include the accumulated net income of each period. March 2018 figures are estimated.

BCP Group

BRIEF DESCRIPTION

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese privately-owned bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA) and in Europe through its banking operations in Poland and Switzerland. Since 2010, the Bank operates in Macau through a full branch.

HISTORY

Incorporation and organic growth to attain a relevant position	Development in Portugal through acquisitions and partnerships	Internationalization and adoption of a single brand	Restructuring process involving the sale of non-strategic assets
1985: Incorporation 1989: Launching of NovaRede Until 1994 Organic growth, reaching market shares of around 8% in loans and deposits in 1994	1995: Purchase of Banco Português do Atlântico, S.A. 2000: Purchase of Banco Pinto & Sotto Mayor to CGD and incorporation of the José de Mello Group (Banco Mello and Império) 2004: Agreement with the CGD Group and Fortis (Ageas) for the insurance business	1993: Beginning of operations in the East 1995: Beginning of operations in Mozambique 1998: Partnership Agreement with BBG (Poland) 1999: Establishment of a greenfield operation in Greece 2000: Integration of the insurance operation into Eureka 2003: <ul style="list-style-type: none"> • Establishment of Banque Privée • Alteration of the name of the operation in Poland to Bank Millennium • Launch of the single brand concept, Millennium 	2005: <ul style="list-style-type: none"> • Sale of Crédilar • Sale of BCM, maintaining an offshore branch in Macau • Sale of the insurance activity and partnership agreement with Ageas for the bancassurance activity 2006: <ul style="list-style-type: none"> • Sale of a 50.001% stake in Interbanco • Completion of the sale of 80.1% of the share capital of Banque BCP in France and in Luxembourg 2010: Sale of 95% of Millennium bank in Turkey and establishment of an agreement for the sale of the totality of the branch network and respective deposits base of Millennium bcp bank in the USA 2013: <ul style="list-style-type: none"> • Sale of the totality of the share capital of Millennium Bank Greece to Piraeus Bank • Sale of 10% of the share capital of Banque BCP in Luxembourg • Sale of the totality of the stake in Piraeus Bank 2014: <ul style="list-style-type: none"> • Sale of the totality of the share capital of Banca Millennium in Romania • Sale of the totality of the 49% stake in Non-Life Insurance, held in Ocidental and Média 2015: <ul style="list-style-type: none"> • Sale of the totality of the share capital of Millennium bcp Gestão de Ativos • Sale of 15.41% of the share capital of Bank Millennium 2016: Merger of Banco Millennium Angola with Banco Privado Atlântico

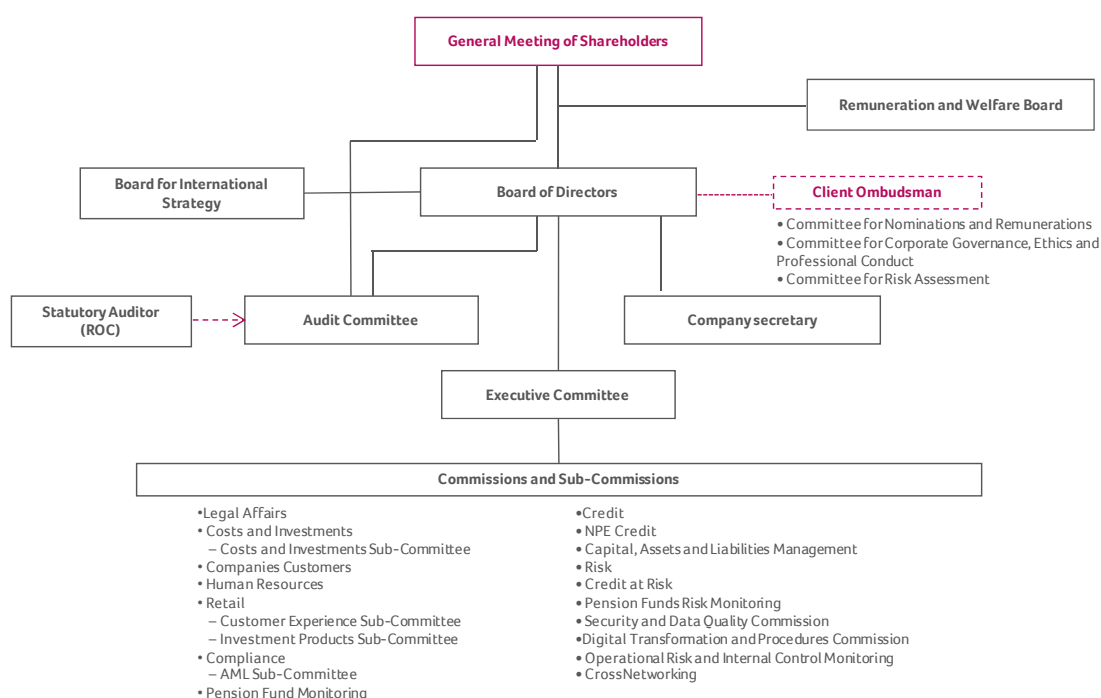
Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors, which includes an Executive Committee and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, whose appointment is resolved at the General Meeting.

The members of the governing bodies were elected at the General Meeting of Shareholders held on 11 May 2015 to perform duties for the three-year period 2015/2017.

ORGANISATIONAL CHART OF BCP'S CORPORATE GOVERNANCE MODEL



The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its resolutions are binding for all when adopted under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing its Board, as well as the members of the management and supervisory bodies, and the Remuneration and Welfare Board;
- Approving amendments to the memorandum of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

The Board of Directors (BD) is the governing body of the Bank with the most ample powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association in effect, the Board of Directors is composed of a minimum of 17 and a maximum of 25 members with and without executive duties, elected by the General Meeting for a period of three years, who may be re-elected. The increase of the number of members of the Board of Directors to 25 was approved on 9 November 2016.

The Board of Directors which ended its function on 31 December 2017 was composed of 19 permanent members, with 11 non-executive and 8 executive members.

The Board of Directors appointed an Executive Committee (EC) composed of 8 of its members, to which it delegates the day-to-day management of the Bank. During 2017 the Executive Committee was assisted in its management functions by several commissions and sub-commissions which oversaw the monitoring of certain relevant issues.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with the majority of the remaining directors. The lists proposed for the Board of Directors should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

The Remuneration and Welfare Board is composed of 3 to 5 members, elected by the General Meeting, the majority of whom should be independent.

The Company Secretary and the Alternate Secretary are appointed by the Bank's Board of Directors, and their term-of-office matches that of the Board of Directors that appointed them.

IDENTIFICATION AND COMPOSITION OF THE CORPORATE BODIES

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy
António Vitor Martins Monteiro (BD Chairman)	●				●
Carlos José da Silva (BD Vice-Chairman)	●				●
Nuno Manuel da Silva Amado (BD Vice-Chairman and CEO)	●	●			●
Álvaro Roque de Pinho Bissaia Barreto	●				
André Magalhães Luiz Gomes	●				
António Henriques de Pinho Cardão	●				
António Luís Guerra Nunes Mexia	●				
Cidália Maria Mota Lopes	●		●		
Jaime de Macedo Santos Bastos	●		●		
João Manuel de Matos Loureiro (AC Chairman)	●		●		
João Nuno de Oliveira Jorge Palma	●	●			
José Jacinto Iglésias Soares	●	●			
José Miguel Bensliman Schorcht da Silva Pessanha	●	●			
Lingjiang Xu	●				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	●	●			
Miguel de Campos Pereira Bragança	●	●			
Miguel Maya Dias Pinheiro	●	●			
Raquel Rute da Costa David Vunge	●				
Rui Manuel da Silva Teixeira	●	●			
José Gonçalo Ferreira Maury (Chairman of RWB)				●	
José Guilherme Xavier de Basto				●	
José Luciano Vaz Marcos				●	
Manuel Soares Pinto Barbosa				●	
Carlos Jorge Ramalho dos Santos Ferreira (Chairman of BIS)					●
Francisco de Lemos José Maria					●
Josep Oliu Creus					●

On 28 June 2017, three new non-executive members of the Board of Directors were co-opted: Ms. Gu Xiaoxu, Mr. Li Cheng and Mr. Zhihua Shen. The evaluation process and the fit and property is still pending.

Main Events in Q1 2018

Millennium bcp continued to implement its Strategic Plan. Highlights during this period include:

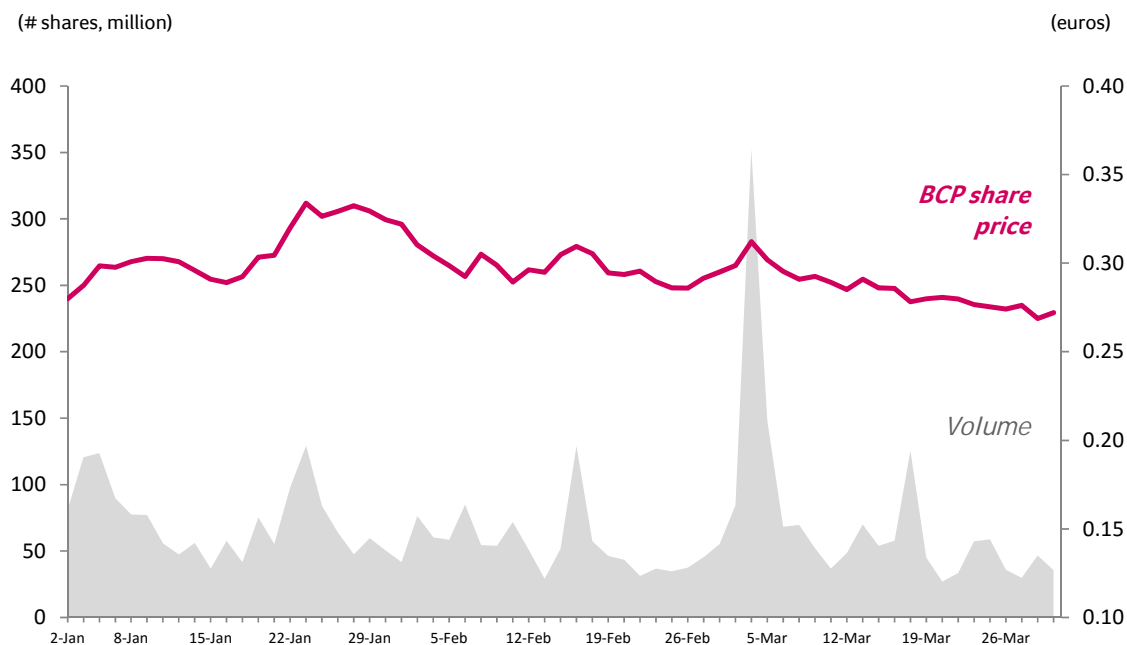
- Return of BCP to the Stoxx Europe 600 Index, the European Stock Market Index benchmark.
- Return in 2018 to the “The Sustainability Yearbook”, a benchmark publication in the sustainability area.
- Millennium bcp and China’s largest digital payment platform Alipay have agreed to cooperate in the Portuguese market, making Millennium the first bank in Portugal to enable cashless transactions between Chinese travellers and Portuguese merchants.
- Edition of Millennium Days for Companies, in the northern city of Vila Nova de Famalicão, an initiative that travels around the country, seeking to be closer to Portuguese companies, supporting their internationalisation and improving their competitiveness.
- The European Investment Bank (EIB) and Millennium bcp joined forces to foster economic growth and employment creation in the areas impacted by the forest fires that spread in the north and centre of Portugal in 2017, with the funds provided to facilitate economic recovery in the affected areas reaching Euro 150 million.
- Millennium bcp has been awarded in the Euronext Lisbon Awards 2018, winning in two categories: “Best Capital Market Promotion Initiative”, with the trading platform MTrader, and “Most Active Trading House in Warrants & Certificates”, given to the Euronext Lisbon member with the highest warrants and certificates trading volume in 2017.
- Millennium bcp has been named “Best Foreign Exchange Bank” in Portugal by the international financial magazine, Global Finance.
- Millennium bim named Mozambique’s Best Bank for Trade Finance by the international financial magazine, Global Finance.

BCP Share

BCP share closed the first quarter of 2018 at the same level of the end of December 2017, which compares to a decrease of 6% in the European banks index. In this sense, and in relative terms, the performance of BCP was positive:

- BCP share posted significant gains in January based on price target reviews by several investment houses, with particular emphasis on the JP Morgan research note that considered BCP as its preferred investment in the Iberian Peninsula;
- However, these gains were cancelled in February and March mainly due to 5 reasons:
 - **At a more global level**, 1. fears that interest rate hikes may be higher than originally forecast by the market, leading to a slowdown of the US economy and consequently of the world economy; 2. the escalation of the US / China tariff war and its repercussions on the world economy;
 - **At European level**, 3. the realization that it is still premature to think of interest rate hikes in the Euro area; 4. the return of the NPEs theme, which penalized banks with high stock of NPEs such as BCP.
 - **At a domestic level**, 5. The return of the NovoBanco issue with the fear that its high negative results could accelerate the use of the contingent capitalization line penalising the remaining banks of the system.

In conclusion: after a start of the year marked by great optimism, this sentiment has changed considerably and we have moved into a phase of great doubts and high volatility in the markets. However, it should be highlighted that the average price target of the various analysts that cover BCP share remains above 30 cents, and despite the volatility in the markets, there is nothing fundamental that has changed the analysts' view.



Source: Euronext, Thomson Reuters

BCP SHARES INDICATORS

	Units	1Q18	1Q17
ADJUSTED PRICES			
Maximum price	(€)	0.3339	0.1979
Average price	(€)	0.2968	0.1604
Minimum price	(€)	0.2687	0.1383
Closing price	(€)	0.2720	0.1961
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	5,769	5,781
Shareholder's Equity attributable to ordinary shares (1)	(M€)	5,709	5,721
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.023	0.021
Book value (4)	(€)	0.378	0.378
MARKET INDICATORS			
Closing price to book value	(PBV)	0.72	0.52
Market capitalisation (closing price)	(M€)	4,111	2,964
LIQUIDITY			
Turnover	(M€)	1,262	769
Average daily turnover	(M€)	20.0	11.8
Volume (5)	(M)	4,215	4,777
Average daily volume (5)	(M)	66.9	73.5
Capital rotation (6)	(%)	27.9%	48.2%

(1) Shareholder's Equity attributable to the group - Preferred shares

(2) Considering the average number of shares outstanding

(3) Adjusted by the share capital increase completed in February 2017

(4) Considering the average number of shares minus the number of treasury shares in portfolio

(5) Adjusted by the share capital increase completed in February 2017

(6) Total number of shares traded divided by the quarterly average number of shares issued

Qualified Holdings

On 31 December 2017, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

31 December 2017			
Shareholder	Nr. of Shares	% of share capital	% voting rights
Chiado (Luxembourg) S.à r.l., a company held by Fosun International Holdings Ltd (Fosun Group)	4,089,789,779	27.06%	27.06%
TOTAL FOR FOSUN GROUP	4,089,789,779	27.06%	27.06%
Sonangol - Sociedade Nacional de Combustíveis de Angola, E.P., directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	2,946,353,914	19.49%	19.49%
EDP Pension Fund *	319,113,690	2.11%	2.11%
TOTAL FOR EDP GROUP	319,113,690	2.11%	2.11%
BlackRock, Inc.**	512,328,512	3.39%	3.39%
TOTAL FOR BLACKROCK GROUP	512,328,512	3.39%	3.39%
TOTAL OF QUALIFYING SHAREHOLDINGS	7,867,585,895	52.05%	52.05%

* Allocation according to article 20 (1.f) of the Securities Code.

**According to the communication of 5 March 2018.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

Business Model

Economic Environment

The International Monetary Fund (IMF) projects an acceleration of the world economy in 2018, from 3.8% to 3.9%, in a context of generalized growth among the main economies, both developed and emerging. Notwithstanding the greater optimism, the IMF considers that the risks to its forecasts are mainly tilted to the downside and relate to issues of a political and geostrategic nature, especially those related to protectionism.

In 2017, the Euro Area's GDP grew 2.5%, which corresponds to the highest pace since 2007. The consolidation of the expansion of EMU's economy and the reduction of the deflationary risks should solidify the expectations of gradual smoothing of the ultra-expansionary stance of the monetary policy of the European Central Bank (ECB) throughout 2018, although the speed at which this will proceed is dependent on the eventual materialization of the inflationary pressures associated with the rise of oil prices and the fall of the unemployment rate.

In the US, the recovery of investment and the strong boost provided by households' consumption more than compensated for the negative contribution of net exports. As a result, the pace of expansion of the American economy rose from 1.5% in 2016 to 2.3% in 2017. The greater robustness of activity translated into stronger employment creation and in the acceleration of labour costs. Such developments jointly with the expectations of an increase of inflation stemming from the more expansionary fiscal policy led the Federal Reserve to maintain the process of monetary policy normalization, under which the monetary authority raised its key rate, for the sixth time in the current cycle, to 1.75%.

The evolution of the international financial markets during the first quarter of 2018 was characterized by the return of volatility, in a climate in which the optimism implicit in the valuation of the main asset classes was affected by the resurgence of protectionism and by the increase of long term interest rates. The instability was especially felt in equity markets and the higher risk segment of corporate debt, which generated a surge in the demand for the government bonds of higher quality and, consequently, the partial reversal of the uptrend in the general level of interest rates. In the foreign exchange market the repercussions of the greater investor risk-aversion turned out to be limited. The euro money market interest rates stayed remarkably stable, having stood in negative territory for all the maturities.

In the last quarter of 2017, Portuguese GDP grew 2.4% annually, which equalled the pace observed in the preceding quarter. The greater vigour of activity stemmed exclusively from the dynamism of domestic demand, in particular of private consumption and investment as the contribution of government expenditure was marginal. On the external front, the rise of exports was accompanied by a similar evolution of imports, implying a marginal impact of the net external demand on activity. According to the European Commission forecasts, the Portuguese economy should grow 2.2% in 2018, clearly above potential, albeit at a lower level than the 2.7% recorded in 2017, to a great extent due to a slowdown in investment. The good macroeconomic performance, the partial reversal of the global uptrend of interest rates and the maintenance of an extremely accommodative stance for the ECB's monetary policy contributed to keep the yields of the Portuguese public debt and the spread against their better rated European counterparts close to the post-financial crisis lows.

In Poland, the GDP growth rate accelerated from 2.9% in 2016 to 4.6% in 2017, benefiting from the dynamism of private consumption. In 2018, the growth pace of consumption should return to more moderate levels, after the dissipation of the positive effects related to the wage hikes and of the government's increase of social benefits, which is likely to translate into expansion rates closer to 4.0%, according to the European Commission forecasts. The favourable evolution of activity together with the permanence of the inflation rate at levels compatible with the central bank's goal has allowed monetary policy to remain unaltered, with the key interest rate constant at 1.50% since March 2015. Notwithstanding the good performance of the Polish economy, in the first quarter of 2018, the Zloty depreciated, penalized by the increase in volatility in international financial markets.

In Mozambique, the investment in natural gas megaprojects should continue to support activity, albeit in a context in which important economic and financial vulnerabilities persist, which have been hampering the evolution of the Metical exchange rate, which after the stability observed in the second half of 2017 has depreciated during the first quarter of 2018. In Angola, the transition to a more flexible foreign exchange regime, announced in the beginning of the year, led to a strong depreciation of the Kwanza (around 32% against the Euro).

Results and Balance Sheet

RESULTS AND ACTIVITY IN 2017

On 1st January of 2018, IFRS 9 - Financial Instruments entered into force, replacing IAS 39 - Financial Instruments: recognition and measurement, and establishing new rules for the recognition of financial instruments, introducing relevant changes, in particular in what refers to the methodology for impairment calculation. The adoption of this accounting standard had an impact on the structure of the Millennium bcp financial statements as at 31 March 2018, largely dictated by the adjustments associated with the transition, and did not materially affect the profit and loss account for the first quarter of 2018. Considering the recognition of loans to customers at fair value through profit or loss, some indicators were defined based on management criteria intended to facilitate their respective comparability with prior period information.

In this context, with reference to 31 March 2018, loans to customers includes loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments, while the amount of the impairment considered for the purposes of coverage ratios includes the balance sheet impairment associated with loans to customers at amortised cost and the fair value adjustments associated to loans to customers at fair value through profit or loss.

RESULTS

In the first quarter of 2018, the net income of Millennium bcp rose to Euro 85.6 million, increasing significantly from the Euro 50.1 million achieved in the same quarter of previous year, boosted by the performance of the activity in Portugal, with the net income of the international activity being in line with the same period of 2017, conditioned by the impact arising from the application of IAS 29 on Banco Millennium Atlântico, since Angola is considered as an economy with high inflation by international audit firms.

In the activity in Portugal, net income showed a very favourable trend, increasing from the Euro 9.0 million obtained in the first three months of 2017 to Euro 44.5 million in the first quarter of 2018, decisively influenced by the reduction of impairments and provisions.

In the international activity, net income stood at Euro 41.1 million in the first quarter of 2018 remaining at the same level as the first quarter of 2017 (Euro 41.1 million), highlighting the favourable performances of the operations in Poland and Mozambique, which were offset by the negative impact arising from the application of IAS 29 on Banco Millennium Atlântico.

The core net income reached Euro 266.6 million in the first quarter of 2018, an increase of 4.6% from Euro 254.8 million obtained in the same period of 2017. This performance was due to the growth of net interest income and net commissions, despite the higher level of operating costs.

Net interest income reached Euro 344.8 million in the first three months of 2018, increasing 3.8% from Euro 332.3 million registered in the same period of previous year, boosted by the favourable performance of the international activity.

In the activity in Portugal, net interest income totalled Euro 192.0 million in the first quarter of 2018 compared to Euro 194.1 million registered in the same period of the previous year, conditioned by the reduction in the interest from debt securities and loans portfolios, despite the lower cost of funding which was influenced mainly by the continuous decrease in costs associated to term deposits and by the repayment of the remaining tranche of CoCo bonds in the first quarter of 2017.

In the international activity, net interest income increased 10.6% from the Euro 138.2 million registered in the first three months of 2017, achieving Euro 152.8 million in the same period of 2018, essentially due to the performance of the subsidiary in Poland and, to a lesser extent, the operation in Mozambique.

Net interest margin in the first quarter of 2018 stood at 2.21%, which compares to 2.17% in the same period of previous year. Net interest margin in the first quarter of 2017 excluding the impact from the cost of CoCos, reached 2.21%.

AVERAGE BALANCESEuro
million

	31 Mar. 18		31 Mar. 17	
	Amount	Yield %	Amount	Yield %
Deposits in banks	2,549	0.84	2,877	0.84
Financial assets	12,134	2.41	10,145	2.29
Loans and advances to customers	47,712	3.19	48,188	3.36
INTEREST EARNING ASSETS	62,395	2.94	61,210	3.07
Non-interest earning assets	10,239		10,580	
	72,634		71,790	
Amounts owed to credit institutions	7,395	0.01	9,713	0.22
Resources from customers	52,216	0.60	49,521	0.68
Debt issued	2,990	2.18	3,238	3.31
Subordinated debt	1,157	6.54	1,145	7.16
INTEREST BEARING LIABILITIES	63,758	0.71	63,617	0.86
Non-interest bearing liabilities	2,038		2,197	
Shareholders' equity and non-controlling interests	6,838		5,976	
	72,634		71,790	
Net interest margin		2.21		2.17
Net interest margin (excl. cost of CoCos)				2.21

Note: Interest related to hedge derivatives were allocated, in March 2018 and 2017, to the respective balance sheet item.

Net commissions increased 4.4% from the Euro 160.8 million reached in the first three months of 2017, amounting to Euro 167.8 million in the first three months of 2018, benefiting from the favourable performance of both the activity in Portugal, where commissions grew 4.5%, and the international activity which registered a 4.1% growth, boosted by the operation in Poland.

The increase of net commissions in the first three months of 2018 reflects the performance of both banking and market commissions which improved 3.2% and 10.6% respectively from the figures obtained in the same period of the previous year.

Net trading income amounted to Euro 34.4 million in the first three months of 2018, comparing to Euro 36.4 million obtained in the same period of previous year, reflecting the lower contribution of the activity in Portugal, with the international activity being in line with the first three months of 2017.

Other net operating income, which includes the costs associated with mandatory contributions as well as with the Resolution Fund and the Deposit Guarantee Fund in both Portugal and the international activity, was negative by Euro 29.1 million in the first quarter of 2018, which compares to the also negative Euro 15.2 million accounted in the same period of 2017.

In the activity in Portugal, other net operating income was negative by Euro 3.0 million in the first quarter of 2018 comparing to the positive Euro 5.5 million evidenced in the first three months of the previous year, mostly penalized by the higher level of costs related to disposal processes of non-current assets held for sale.

Other net operating income in the international activity presented a negative Euro 26.1 million in the first quarter of 2018, higher than the also negative Euro 20.7 million accounted in the same period of previous year, essentially due to gains registered by the subsidiary in Poland, in the first quarter of 2017, related to real estate disposal and indemnity received.

Dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income, and equity accounted earnings, were in line with the amounts of the first quarter of 2017 (+0.7%) and jointly totalled Euro 19.9 million in the first three months of 2018.

OTHER NET INCOME

Euro million

	31 Mar. 18	31 Mar. 17	Change 18/17
NET COMMISSIONS	167.8	160.8	4.4%
Banking commissions	139.4	135.1	3.2%
Cards and transfers	40.0	37.6	6.3%
Credit and guarantees	39.1	38.7	1.1%
Bancassurance	24.7	23.2	6.3%
Current account related	26.2	26.0	0.7%
Other commissions	9.4	9.6	-1.3%
Market related commissions	28.5	25.7	10.6%
Securities	17.3	15.8	9.8%
Asset management	11.2	10.0	11.8%
NET TRADING INCOME	34.4	36.4	-5.3%
OTHER NET OPERATING INCOME	(29.1)	(15.2)	-91.8%
DIVIDENDS FROM EQUITY INSTRUMENTS	0.1	0.1	-27.6%
EQUITY ACCOUNTED EARNINGS	19.8	19.6	0.9%
TOTAL OTHER NET INCOME	193.0	201.7	-4.3%
Other net income / Net operating revenues	35.9%	37.8%	

Operating costs, excluding the effect of specific items*, stood at Euro 242.6 million in the first quarter of 2018 compared to Euro 230.6 million, accounted in the same period of the previous year reflecting the increase in both the activity in Portugal and the international activity.

In the activity in Portugal, operating costs, not considering the impact of specific items, amounted to Euro 150.0 million in the first three months of 2018, increasing 3.5% from the amount registered in the same period of previous year, conditioned by the growth of staff costs (reflecting the salary replacement occurred from July 2017) and depreciation costs, partially offset by other administrative costs savings.

In the international activity, operating costs stood at Euro 92.6 million in the first quarter of 2018, showing an increase of 7.9% from the amount accounted in the same period of 2017, mainly justified by the performance of the subsidiary in Poland.

Staff costs, excluding the impact of specific items, totalled Euro 138.8 million in the first three months of 2018 increasing 7.4% from the amount of the same period of previous year, showing the higher level of costs in both the activity in Portugal and the international activity.

In the activity in Portugal, staff costs excluding the impact of specific items registered an increase of 6.7% from the amount of the first quarter of 2017, and stood at Euro 87.7 million in the same period of 2018. This performance reflected the decision of the Board of Directors of the Bank to end, in advance, the temporary adjustment that had been in force since July 2014, following the full reimbursement of CoCos with effect from 30 June 2017, despite the decrease of 172 employees from 31 March 2017.

Staff costs in the international activity amounted to Euro 51.2 million in the first three months of 2018 (Euro 47.1 million in the same period of the previous year), essentially influenced by the operation in Poland.

Other administrative costs totalled Euro 89.5 million in the first three months of 2018 compared to Euro 88.7 million accounted in the same period of the previous year, induced by the growth of costs in the international activity (+6.7%), mainly in the subsidiary in Poland, while in the activity in Portugal there was a decrease in other administrative costs (-2.5%) resulting from the cost containment measures that have been implemented, namely the resizing of the distribution network, from 615 branches at the end of March 2017 to 578 at the end of March 2018.

Depreciation costs stood at Euro 14.2 million in the first quarter of 2018, increasing 11.5% from Euro 12.7 million registered in the first three months of 2017, due to the higher depreciation costs registered in both the activity in Portugal, mainly related to IT equipment and software, and in the international activity, highlighting the evolution of depreciation costs recognized by the subsidiaries in Mozambique and Poland.

* Arising from restructuring costs and the revision of the Bank's Collective Labour Agreement in the first quarter of 2018 and 2017 in the activity in Portugal (Euro 3.5 million and Euro 7.7 million, respectively).

OPERATING COSTS

	Euro million		
	31 Mar. 18	31 Mar. 17	Change 18/17
Staff costs	138.8	129.2	7.4%
Other administrative costs	89.5	88.7	1.0%
Depreciation	14.2	12.7	11.5%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	242.6	230.6	5.2%
OPERATING COSTS	246.0	238.3	3.2%
Of which:			
Portugal activity (1)	150.0	144.9	3.5%
Foreign activity	92.6	85.8	7.9%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) showed a 28.8% decrease from Euro 148.9 million accounted in the first quarter of 2017, totalling Euro 106.1 million in the first three months of 2018, benefiting simultaneously from the positive performances of the activity in Portugal and the international activity, in this case in all subsidiaries, in particular Poland and Mozambique.

The Group's cost of risk presented a significant improvement, decreasing from 114 basis points in the first quarter of 2017 to 85 basis points in the same period of 2018.

Other impairment and provisions totalled Euro 23.9 million in the first quarter of 2018, which compared very favourably to Euro 54.3 million accounted in the same period of previous year, reflecting essentially the lower level of other assets provisions, despite the impairment reinforcement that occurred in goodwill.

Income tax (current and deferred) amounted to Euro 49.3 million in the first quarter of 2018, which compares to Euro 19.1 million obtained in the same period of 2017.

These taxes include, in the first quarter of 2018, current tax costs of Euro 23.1 million (cost of Euro 27.9 million in the first quarter of 2017), and deferred tax costs of Euro 26.2 million (income of Euro 8.8 million in the first three months of 2017).

BALANCE SHEET

Total assets stood at Euro 72,674 million as at 31 March 2018, comparing to Euro 72,077 million as at 31 March 2017, highlighting the growth of the securities portfolio and the reduction of the loans to customers portfolio.

Loans to customers (gross) amounted to Euro 50,959 million as at 31 March 2018, comparing to Euro 52,242 million presented in the same date of the previous year, reflecting the decrease of the activity in Portugal, partially offset by the increase showed by the international activity.

In the activity in Portugal, loans to customers stood at Euro 37,984 million as at 31 March 2018, registering a 3.6% decrease from the Euro 39,386 million recorded as at 31 March 2017. Highlights in this performance include, on the one hand, the significant reduction of NPEs (about Euro 500 million from 2017 year-end), to Euro 6.3 billion as at 31 March 2018 and on the other hand the growth of performing loans for the second consecutive quarter, allowing the stabilization of total portfolio since the end of 2017.

Simultaneously, the performance of loans to companies has been showing a structural change in the last years, translated into the reduction of the weight of construction and real estate activities and non-financial holding companies.

In the international activity, loans to customers amounted to Euro 12,976 million as at 31 March 2018 compared to Euro 12,856 million in the same date of the previous year, driven by the strong performance of Poland, partially offset by the decrease of loans to customers in the operation in Mozambique.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of March 2017 and 2018, with loans to companies representing 47% of total loans to customers as at 31 March 2018.

Credit quality evolved favourably, as evidenced by the improvement in the respective indicators, namely by the generalized increase of coverage for impairment. In this context, it is particularly important to mention the reinforcement of the coverage of NPEs for impairments, which stood at 48.2% on 31 March 2018, compared to 40.5% on 31 March 2017. In Portugal, the same ratio increased from 39.4 % on March 31 of the previous year to 46.4% on the same date of 2018.

LOANS TO CUSTOMERS (GROSS)

	31 Mar. 18	31 Mar. 17	Change 18/17
INDIVIDUALS	27,210	28,126	-3.3%
Mortgage	23,365	23,892	-2.2%
Consumer and others	3,845	4,235	-9.2%
COMPANIES	23,750	24,116	-1.5%
Services	9,129	9,134	-0.1%
Commerce	3,552	3,259	9.0%
Construction	2,301	2,813	-18.2%
Others	8,767	8,909	-1.6%
TOTAL	50,959	52,242	-2.5%
Of which:			
Portugal activity	37,984	39,386	-3.6%
Foreign activity	12,976	12,856	0.9%

CREDIT QUALITY INDICATORS

	Stock of credit (Euro Million)		As percentage of Loans to customers (1)		Coverage by impairments (2)	
	31 Mar. 18	31 Mar. 17	31 Mar. 18	31 Mar. 17	31 Mar. 18	31 Mar. 17
Overdue loans > 90 days						
Group	2,807	3,379	5.5%	6.5%	122.8%	109.8%
Activity in Portugal	2,527	3,107	6.7%	7.9%	115.4%	105.6%
Non-Performing Loans (NPL) > 90 days						
Group	4,323	5,212	8.5%	10.0%	79.7%	71.2%
Activity in Portugal	3,872	4,819	10.2%	12.2%	75.3%	68.1%
Non-Performing Exposures (NPE)						
Group	7,157	9,159	14.0%	17.5%	48.2%	40.5%
Activity in Portugal	6,282	8,320	16.5%	21.1%	46.4%	39.4%

(1) Loans to customers (gross) is presented considering the management criteria of the Group. As at 31 March 2018, includes loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

(2) The amount of impairment considered for the purposes of coverage ratios presented underlies the management criteria adopted by the Group. As at 31 March 2018 includes the balance sheet impairment of loans to customers at amortised cost and the fair value adjustments associated to loans to customers at fair value through profit or loss.

Total customer funds were redefined, with reference to 30 September 2017, reflecting, since then, a broader concept in order to include amounts held by customers as part of existing agreements for their placement and management, considering comparable amounts for March 2017.

Total customer funds increased 5.7% from Euro 68,769 million registered as at 31 March 2017, reaching Euro 72,669 million as at 31 March 2018, showing the positive performance of both, Portugal and the international activity in what refers to balance sheet customer funds and off-balance sheet customer funds.

In the activity in Portugal, total customers funds increased 5.4% from Euro 50,136 million achieved at 31 March 2017, reaching Euro 52,819 million as at 31 March 2018. This performance reflects essentially the growth in resources from customers (Euro +1.468 million) but also the evolution of assets under management and investment funds and capitalisation products which together increased by Euro 1.362 million from 31 March 2017.

Total customer funds in the international activity showed an increase of 6.5% compared to Euro 18,633 million registered as at 31 March 2017, reaching Euro 19,849 million as at 31 March 2018, mainly boosted by the performance of the subsidiary in Poland, namely the growth in resources from customers and assets under management and investment funds.

As at 31 March 2018, balance sheet customer funds represented 74% of total customer funds, with resources from customers representing 72% of total customer funds.

According to the Bank of Portugal's Instruction no. 16/2004, the loans to deposits ratio improved from 97% as at 31 March 2017 to 91% as at 31 March 2018. The same ratio, considering on-balance sheet customers' funds, stood at 88% (94% as at 31 March 2017).

TOTAL CUSTOMER FUNDS

Euro million

	31 Mar. 18	31 Mar. 17	Change 18/17
BALANCE SHEET CUSTOMER FUNDS	53,792	51,673	4.1%
Resources from customers	52,390	50,138	4.5%
Debt securities	1,402	1,536	-8.7%
OFF-BALANCE SHEET CUSTOMER FUNDS	18,877	17,096	10.4%
Assets under management and investment funds	8,843	7,934	11.5%
Capitalisation products	10,034	9,162	9.5%
TOTAL	72,669	68,769	5.7%

The securities portfolio stood at Euro 14,261 million as at 31 March 2018, compared to Euro 12,378 million posted at the same date of the previous year, representing 19.6% of total assets as at 31 March 2018, above the 17.2% observed as at 31 March 2017, driven by the performance of both the activity in Portugal and the international activity, highlighting mainly the operation in Poland but also, in a lesser extent, the operation in Mozambique.

Business Areas

ACTIVITY PER SEGMENTS

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking and Private Banking business.

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Real Estate Business Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (*)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Other	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) From Treasury and Markets International Division.

(**) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.

(***) Consolidated by the equity method.

The figures reported for each business segment resulted from aggregating the subsidiaries and business units integrated in each segment, also reflecting the impact from capital allocation and balancing process of each entity in the balance sheet and income statement, based on average figures. The balance sheet headings for each subsidiary and business unit were re-calculated, taking into account the replacement of the equity book values by the amounts attributed through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodologies previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Each segment's income includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Following the end of the commitment with the Directorate-General of the European Commission (DG Comp) as at 31 December 2017, the Non-Core Business Portfolio (PNNC) is no longer identified as an autonomous segment. Despite not being a business segment and therefore not being reported in the scope of this report, this fact determined the reallocation of the operations within its perimeter to the original business segments, leading to the reassessment of the allocation criteria and the restatement of the income statement and the main business indicators of the respective segments with reference to 31 March 2017 on a comparable basis to the position reported at the end of the first quarter of 2018.

Operating costs related to the business segments do not include gains from the Collective Labour Agreement negotiation in 2017 and restructuring costs in 2018 and 2017.

Total customer funds were redefined since 30 September 2017 and, consequently, on a comparable basis to the end of March 2017, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for its placement and management, but which were previously processed by the Bank's commercial management information system that already integrated the resources of the business segments in Portugal.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 March 2018.

RETAIL BANKING

	Million euros		
RETAIL BANKING	31 Mar. 18	31 Mar. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	105	99	5,7%
Other net income	91	86	5,9%
	196	185	5,8%
Operating costs	115	111	4,6%
Impairment	4	22	-83,7%
Income before tax	77	52	46,9%
Income taxes	24	15	55,1%
Income after tax	53	37	43,4%
SUMMARY OF INDICATORS			
Allocated capital	960	733	31,0%
Return on allocated capital	22,3%	20,3%	
Risk weighted assets	8.474	6.080	39,4%
Cost to income ratio	59,0%	59,7%	
Loans to Customers (net of impairment charges)	20.749	20.998	-1,2%
Total Customer funds	36.266	34.289	5,8%

Notes:

Allocated capital, total Customer funds and Loans to customers (net of recoveries) figures based on average balance.

Income

Income after tax from Retail Banking segment of Millennium bcp in Portugal totalled 53 million Euros in the first quarter of 2018 showing a significant growth compared to 37 million Euros in the same period of 2017. This favourable performance is mainly explained by the increase in banking income and by lower impairment charges, despite the growth of operating costs. Regarding the evolution of the main Income Statement headings, the following aspects should be highlighted:

- Net interest income went up to 105 million Euros in the first quarter of 2018 and grew by 5.7% compared to the same period of 2017 (99 million Euros), mainly driven by the continuous decrease in costs associated to term deposits.
- Other net profits rose up from 86 million Euros at the end of March 2017 to 91 million Euros in March 2018, showing a 5.9% increase.
- Operating costs went 4.6% up from March 2017, essentially reflecting the increase in staff costs as a result of the wage replacement occurred from July 2017.
- Impairment charges amounted to 4 million Euros by the end of March 2018, comparing favourably to 22 million Euros recorded in the same period of 2017, reflecting the recovery of the Portuguese economy and the progressive normalization of the cost of risk.
- In March 2018, loans to customers (net) totalled 20,749 million Euros, decreasing 1.2% from the position at the end of March 2017 (20,998 million Euros), while total customer funds increased by 5.8 % in the same period amounting 36,266 million Euros by the end of March 2018 (34,289 million Euros recorded in March 2017), due to a relevant increase in customer deposits although a lesser growth is observed in off-balance sheet products.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	31 Mar. 18	31 Mar. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	65	75	-13,6%
Other net income	33	34	-2,4%
	98	109	-10,2%
Operating costs	31	31	-1,2%
Impairment	98	101	-3,2%
Income before tax	(31)	(23)	32,2%
Impostos	(10)	(7)	39,5%
Income after tax	(21)	(16)	28,9%
SUMMARY OF INDICATORS			
Allocated capital	1.048	1.087	-3,6%
Return on allocated capital	-8,1%	-6,0%	
Risk weighted assets	10.061	9.848	2,2%
Cost to income ratio	31,1%	28,3%	
Loans to Customers (net of impairment charges)	13.798	14.141	-2,4%
Total Customer funds	10.913	11.040	-1,2%

Notes:

Allocated capital, total Customer funds and Loans to customers (net of recoveries) figures based on average balance.

Income

Income after tax from Companies, Corporate and Investment Banking segment in Portugal totalled -21 million Euros in the first quarter of 2018, showing a deterioration compared to the 16 million Euros financial losses presented in the same period of 2017, mainly caused by the decrease of net interest margin. The performance of this segment is globally explained by the following variations:

- Net interest income stood at 65 million Euros in March 2018, 13.6% less than the 75 million Euros recorded in same period of 2017, resulting mainly from the decrease in the return on the loan portfolio and the reduction of the credit volumes.
- Other net profits rose by 33 million Euros in March 2018, decreasing 2.4% from 34 million Euros accounted in the same period of 2017.
- Operating costs totalled 31 million Euros by the end of March 2018, a 1.2% drop from March 2017, reflecting the decrease of the other administrative costs as a result from the efforts made to optimize resources and simplify structures and the staff costs increase, as a consequence of wage replacement.
- Impairment charges stood at 98 million Euros in the first quarter of 2018, 3.2% down from 101 million Euros recorded at the end of March 2017.
- As at March 2018, loans to customers (net) totalled 13,798 million Euros, 2.4% lower compared to the position existing in March 2017 (14,141 million Euros), reflecting mostly the effort made to reduce the Non-Performing Exposures. Total customer funds reached 10,913 million Euros (11,040 million Euros recorded in the same period of 2017) showing a decrease in customers' deposits, partially compensated by the growth of off-balance sheet customer funds.

PRIVATE BANKING

Million euros

PRIVATE BANKING	31 Mar. 18	31 Mar. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	5	5	-5,6%
Other net income	8	5	64,6%
	13	10	31,2%
Operating costs	4	4	11,8%
Impairment	(1)	(1)	86,2%
Income before tax	10	7	46,8%
Income taxes	3	2	56,8%
Income after tax	7	5	42,7%
SUMMARY OF INDICATORS			
Allocated capital	58	44	32,9%
Return on allocated capital	47,1%	43,9%	
Risk weighted assets	579	404	43,2%
Cost to income ratio	31,6%	37,1%	
Loans to Customers (net of impairment charges)	304	322	-5,6%
Total Customer funds	5.455	4.792	13,8%

Notes:

Allocated capital, total Customer funds and Loans to customers (net of recoveries) figures based on average balance.

Income

From a geographic segmentation standpoint, income after tax from Private Banking business in Portugal totalled 7 million Euros in March 2018 comparing favourably to 5 million Euros recorded in the first quarter of 2017, mainly due to the increase of the other net profits. Considering the main items of the income statement, the relevant situations are highlighted as follows:

- Net interest income went up to 5 million Euros in March 2018, decreasing 5.6% when compared to figures accounted in the same period of the previous year.
- Other net profits rose to 8 million Euros in March 2018, showing a relevant increase in comparison with 5 million Euros obtained in March 2017, mainly driven by the higher volume of income arising from commissions.
- Operating costs amounted to 4 million Euros in March 2018, an increase of 11.8% over the same period of last year.
- Loans to customers amounted to 304 million Euros by the end of March 2018, an increase of 18 million Euros compared to figures accounted in the same period of 2017 (322 million Euros), while total customer funds grew 13.8% in the same period, from 4,792 million Euros in March 2017 to 5,455 million Euros in March 2018, mainly due to the performance of assets under management and investment funds.

FOREIGN BUSINESS

	Million euros		
FOREIGN BUSINESS	31 Mar. 18	31 Mar. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	150	135	11,8%
Other net income (*)	52	55	-6,2%
	202	190	6,6%
Operating costs	93	86	7,9%
Impairment	21	20	7,1%
Income before tax	88	84	5,0%
Income taxes	22	23	-2,4%
Income after income tax	66	61	7,7%
SUMMARY OF INDICATORS			
Allocated capital	1.468	1.325	10,8%
Return on allocated capital	18,3%	18,8%	
Risk weighted assets	11.448	10.733	6,7%
Cost to income ratio	45,8%	45,2%	
Loans to Customers (net of impairment charges)	12.444	12.427	0,1%
Total Customer Funds	19.849	18.633	6,5%

(*) Includes accounted earnings related to the investment in Banco Millennium Atlântico.

Income

In terms of geographic segments, income after tax from Foreign Business stood at 66 million Euros in March 2018 when compared to 61 million Euros achieved in the same period of 2017. This positive evolution is mainly explained by the performance of the net interest income, whose annual growth exceeded the higher operating costs, the lower other net profits and the higher level of impairments.

Taking into account the different items of the income statement, the performance of Foreign Business can be analyzed as follows:

- Net interest margin stood at 150 million Euros in March 2018 which compares to 135 million Euros achieved in the first quarter of 2017. Excluding the impact arising from the capital allocation process involving each subsidiary, the net interest income generated by the Foreign Business showed an increase of 10.6%. Additionally, if the foreign exchange effects are also excluded, the increase would have been 8.4%, translating the positive performance of Bank Millennium, Banco Internacional de Moçambique and Millennium Banque Privée.
- Other net income decreased 6.2% (-2.7%, excluding foreign exchange effects) explained by lower commissions and by the negative impacts linked to the Polish subsidiary, namely the higher level of mandatory contributions and the lower results arising from the sale of subsidiaries and other assets;
- Operating costs amounted to 93 million Euros in March 2018, 7.9% up from the same period of 2017. This evolution was mainly due to the contribution of Bank Millennium in Poland. Excluding foreign exchange effects, operating costs would have risen 6.2%, mainly influenced by the operations in Poland and Switzerland.
- Impairment charges, excluding foreign exchange effects and the impact from the application of IAS 29 on Banco Millennium Atlântico in the first quarter of 2018 (5 million Euros), would have risen 17.2%, mainly caused by the performance of Bank Millennium and Millennium bcp Bank & Trust;
- Loans to customers (net) stood at 12,444 million Euros, keeping in line with the position observed in March 2017 (12,427 million Euros). Excluding foreign exchange effects, the loan portfolio remained stable, since the growth observed in the Polish subsidiary was offset by the contraction of the Mozambican subsidiary's credit volumes.
- Total customer funds from business abroad increased by 6.5% from the 18,633 million Euros reported on 31 March 2017, standing at 19,849 million Euros on 31 March 2018, mainly driven by the performance of the Polish subsidiary, namely by the increase of customers' deposits and assets under management and investment funds. Excluding the foreign exchange effects, total customer funds increased 7.2%.

Funding and Liquidity

In the first quarter of 2018, the consolidated wholesale funding grew Euro 0.4 billion, mainly due to the increases in the portfolios of Portuguese public debt (Euro 1.1 billion) and USD Treasuries (Euro 0.4 billion) on one hand and the reductions in the commercial gap in Portugal (Euro 0.7 billion), and in the corporate debt portfolio (Euro 0.3 billion) as well as through cash flow from operations, on the other hand.

The increase in liquidity needs was financed on a consolidated basis by the increase in the funding through REPO (Euro 0.3 billion, for a total balance of Euro 1.1 billion) and interbank market (Euro 0.1 billion). The funding with the ECB remained unchanged at Euro 4.0 billion, corresponding to the balance of the targeted long term refinancing operations, or TLTRO.

In net terms, the funding with the ECB stood at Euro 3.2 billion, reflecting a Euro 0.1 billion decrease in deposits at the ECB from the end of the previous year, below the average balance maintained during 2017.

The liquidity buffer with the ECB grew to Euro 11.0 billion, Euro 1.3 billion more than in December 2017. Taking into account other assets that are highly liquid or likely to be converted into eligible collateral with the ECB in the short term, the buffer would amount to Euro 12.4 billion (Euro 11.1 billion at the end of 2017).

Capital

The estimated CET1 ratios as at 31 March 2018 phased-in stood at 11.9% and at 11.8% fully implemented, -102 basis points (of which, -160 from phased-in) and +57 basis points, respectively, comparing to the 13.0% and 11.2% ratios recorded in the same period of 2017 and above the minimum ratios defined on the scope of SREP for the year 2018 (CET1 8.81%, T1 10.31% and Total 12.31%)

The CET1 fully implemented favourable evolution was mainly determined by the organic generation of capital, despite amendments introduced on January 1st, 2018 by the IFRS9 adoption (-35 basis points) and the need to cope with the new capital requirements on the scope of 2017 SREP (-30 basis points). The fully implemented total capital ratio additionally benefited from the Poland and Portugal's subordinated bonds' placement.

SOLVENCY RATIOS

Euro million

	31 Mar. 18	31 Mar. 17
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	4,844	4,353
Tier 1	4,917	4,419
Total Capital	5,541	4,783
Risk weighted assets	41,110	38,837
Solvency ratios		
CET1	11.8%	11.2%
Tier 1	12.0%	11.4%
Total capital	13.5%	12.3%
PHASED-IN		
CET1	11.9%	13.0%

Note: The capital ratios of March 2018 are estimated and include the positive accumulated net income.

The capital ratios of March 2017 include the positive accumulated net income.

Strategy



Vision, Mission and Strategy

BCP intends to be a benchmark Bank in customer service ...

BCP's vision is to become the benchmark Bank in Customer service, based on innovative distribution platforms, where a relevant part of the resources will be allocated to Retail and Companies, in markets of high potential with excellent efficiency levels, translated into a commitment to an efficiency ratio placed at reference levels for the banking industry and with tight discipline in capital, liquidity and cost management.

... whose mission is to create value for the Stakeholders ...

The Bank's mission is to create value for the stakeholders through high quality banking and financial products and services, complying with rigorous and high standards of conduct and corporate responsibility, growing profitably and sustainably, so as to provide an attractive return for Shareholders, in a manner that supports and strengthens the bank's strategic autonomy and corporate identity.

... defining ambitious goals ...

On 12 January 2017, the Bank confirmed its financial and operational business goals for 2018 pursuant to the share capital increase:

- CET1 (phased in) and CET1 (fully implemented) of around 11%;
- Loans to deposits ratio at less than 100%;
- Cost-to-Core Income ratio under 50%;
- Cost-to-Income ratio under 43%;
- Cost of risk under 75 b.p.;
- ROE² of approximately 10%.

... and knowing how to attain them.

In the recent past, BCP overcame challenging and demanding times. Its Employees worked hard to turn BCP into a benchmark for commercial banking in Portugal.

The country went through a Financial Aid Programme, showing a weakened economy and a financial system with its credibility damaged. Clients became more demanding and changed the way they relate with the Bank, showing their increasing preference for alternative digital channels, rather than going to a branch.



The contraction showed by banking activity was enormous, interest rates stood at historically low levels, banking supervision was transferred to the European Central Bank and the Supervisor became more demanding and distant. The competitors are currently adjusting to this environment and the Employees of BCP worked daily on the transformation of BCP in order to ensure its sustainability.

The Bank adapted to the changes around it and responded with innovation and ability to adapt to a new reality, bearing in mind at all times the way it wishes to do banking.

Banking with values in the daily relations with Clients, Shareholders, Employees and other Stakeholders.

² Based on a fully implemented CET1 ratio of 11%.

Millennium bcp is and will increasingly be a bank that is:

				
ÁGIL	MODERNO	PRÓXIMO	SIMPLES	SUSTENTÁVEL
AGILE	MODERN	PERSONAL	SIMPLE	SUSTAINABLE

These are the principles defining how each Employee of BCP must act in his/her relations with other Employees, Customers, Shareholders, other Stakeholders and with the Community and the Surrounding Environment.

Strategy

In September 2012, BCP presented a Strategic Plan with three stages (definition of the basis for a future sustainable development, creation of conditions for growth and profitability and, lastly, achieving a sustained growth) to be implemented until 2017. The Strategic Plan was updated in September 2013, following the approval of BCP's Restructuring Plan by the European Commission and in June 2013, after a share capital increase operation, its targets were also updated. This strategic plan was completed with success.

During the Q1 2018, the Bank sped up the implementation of strategic initiatives, betting on innovation and customer experience.

In relation to BCP's business model, 6 work fronts were adopted:

- Redefining the Retail distribution network, exploiting the potential of new technologies, namely in the digital area (Internet Banking and Mobile Banking, among others).
- Relaunching the affluent individuals segment, by adjusting the service model and taking up a position of leadership.
- Consolidating the position of leadership in providing support to micro and small enterprises.
- Adjust the business model of the growth-oriented corporate segment, in order to be the reference Bank in providing support to the Portuguese economy.
- Transform the credit recovery business through an integrated strategy of reduction of the non-core business portfolio, which may include the sale of assets and the optimisation of the recovery operating model.
- Build on the operating model of the Bank, by simplifying and automating processes, with a view to optimising the levels of service provided to the Customer.

In order to transform the Bank into a stronger organisation and with greater involvement with the shareholders, there are 3 organisation-wide work fronts under way:

- Definition of the level of risk to be adopted in each business area with the implementation of the "Risk Appetite" rules.
- Promotion of a business sharing culture between business areas and geographies.
- Launch of a cultural transformation programme of the organisation with a focus on the development of human resources, the improvement of its satisfaction and the consolidation of a set of values that guide the action of the Bank.

The implementation of this Agenda showed visible results at a business level, there was a significant growth in the number of new clients and in the number of digital clients, an increase of digital sales, improvement of the efficiency of the analytics and CRM model. The Bank also launched new products developed by multi-disciplinary teams, like the online credit and the M2020 App.

In Poland, the bank disclosed its "Strategy 2020", announcing a net income target of 1000 million Zlotys, a core income 30% higher than in 2017 and a cost-to-income of 40%, maintaining the cost of risk in line with the historical average. The Bank is evolving, becoming more digital in both the affluent and the mass market segments.

In Mozambique, the bank is focused on the management of the major risk sources, improving namely the control of operating risk, and on its modernization, namely through Mobile (IZi and Smart Izi) and the development of payment solutions. In terms of business segments, one must underline the development shown by the Prestige segment.

The General Meeting of Shareholders will elect the Bank's corporate bodies for the next three-year period, namely a new Executive Committee. Afterwards, the Bank will present to the market a new Strategic Plan to continue to enhance the Bank's position as a modern bank, close to its stakeholders and increasingly sustainable.

Performance versus the Strategic Plan Objectives

On 12 January 2017, the Bank confirmed its financial and operational business goals for 2018 within the scope of the share capital increase operation concluded in February 2017, as follows:

- CET1 (phased in) and CET1 (fully implemented) of around 11%;
- Loans to deposits ratio at less than 100%;
- Cost-to-Income ratio under 43%;
- Cost-to-Core Income ratio under 50%;
- Cost of risk under 75 b.p.;
- ROE³ of approximately 10%;
- Accumulated NPE reduction (2016-2018) of 3 billion Euros.

On 31 March 2018, the regulatory capital ratio Common Equity Tier I (CET1), in accordance with fully implemented criteria, stood at 11.8%, above the target for 2018 of around 11%. The loan-to-deposits liquidity ratio stood at 91%, complying with the objective defined for 2018 (<100%).

The Cost to Income ratio stood at 45.7% in Q1 2018, above the 43% defined as the maximum threshold for 2018 and the Cost Core Income (48.0%) is aligned with the target for 2018 (<50%).

The cost of risk is still above the objective set forth for 2018 (85 b.p. vs target of <75 b.), although it showed a rather positive performance versus Q1 2017 (114 b.p.) due to the relevant decrease in impairment and provisions.

ROE³ stood at 7.7%, below the objective of approximately 10% defined for 2018, but also evidencing a positive performance versus Q1 2017 (4.7%).

The accumulated NPE reduction from 2016 to Q1 2018 was 3.5 billion euros, with the target achieved one year ahead of schedule.

Q1 2018	
CET ³	Fully implemented: 11.8%
Loans-to-Deposits	91%
Cost-to-Income	45.7%
Cost-Core Income ⁴	48.0%
Risk Cost	85 bp
ROE ⁵	7.7%
Accumulated reduction of NPE (2016-Q1 2018)	3.5 billion Euros

³ Amounts estimated including the year's earnings

⁴ Core income = net interest income + fees.

⁵ Based on a fully implemented CET1 ratio of 11%.

Regulatory Information

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Mar. 18	Mar. 17	Change 18/17	Mar. 18	Mar. 17	Change 18/17	Mar. 18	Mar. 17	Change 18/17
INCOME STATEMENT									
Net interest income	344.8	332.3	3.8%	192.0	194.1	-1.1%	152.8	138.2	10.6%
Dividends from equity instruments	0.1	0.1	-27.6%	—	—	14.2%	—	0.1	-46.1%
Net fees and commission income	167.8	160.8	4.4%	113.0	108.2	4.5%	54.8	52.6	4.1%
Other net operating income	(29.1)	(15.2)	-91.8%	(3.0)	5.5	-154.4%	(26.1)	(20.7)	-26.3%
Net trading income	34.4	36.4	-5.3%	19.0	20.9	-9.2%	15.5	15.5	-0.1%
Equity accounted earnings	19.8	19.6	0.9%	12.3	12.0	2.1%	7.5	7.6	-1.0%
Net operating revenues	537.8	534.0	0.7%	333.3	340.7	-2.2%	204.5	193.3	5.8%
Staff costs	142.3	136.9	3.9%	91.1	89.8	1.4%	51.2	47.1	8.7%
Other administrative costs	89.5	88.7	1.0%	53.3	54.7	-2.5%	36.2	33.9	6.7%
Depreciation	14.2	12.7	11.5%	9.0	8.0	12.7%	5.2	4.8	9.4%
Operating costs	246.0	238.3	3.2%	153.4	152.5	0.6%	92.6	85.8	7.9%
Operating costs excluding specific items	242.6	230.6	5.2%	150.0	144.9	3.5%	92.6	85.8	7.9%
Profit before impairment and provisions	291.8	295.8	-1.3%	179.8	188.2	-4.5%	112.0	107.5	4.1%
Loans impairment (net of recoveries)	106.1	148.9	-28.8%	89.0	125.9	-29.4%	17.1	22.9	-25.5%
Other impairment and provisions	23.9	54.3	-56.1%	19.0	56.8	-66.5%	4.9	(2.4)	>200%
Profit before income tax	161.8	92.5	74.9%	71.8	5.5	>200%	90.0	87.0	3.4%
Income tax	49.3	19.1	158.1%	27.4	(3.5)	>200%	21.9	22.6	-3.2%
Income after income tax from continuing operations	112.5	73.4	53.2%	44.4	9.0	>200%	68.1	64.4	5.7%
Non-controlling interests	26.9	23.3	15.5%	(0.1)	—	81.0%	27.0	23.3	15.6%
Net income	85.6	50.1	70.8%	44.5	9.0	>200%	41.1	41.1	0.1%
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	72,674	72,077	0.8%	52,280	52,686	-0.8%	20,394	19,391	5.2%
Total customer funds (1)	72,669	68,769	5.7%	52,819	50,136	5.4%	19,849	18,633	6.5%
Balance sheet customer funds	53,792	51,673	4.1%	37,392	36,071	3.7%	16,400	15,603	5.1%
Resources from customers	52,390	50,138	4.5%	36,100	34,632	4.2%	16,290	15,506	5.1%
Debt securities	1,402	1,536	-8.7%	1,293	1,439	-10.2%	109	97	12.8%
Off-balance sheet customer funds	18,877	17,096	10.4%	15,427	14,065	9.7%	3,450	3,031	13.8%
Assets under management and investment funds	8,843	7,934	11.5%	5,918	5,397	9.7%	2,925	2,537	15.3%
Capitalisation products	10,034	9,162	9.5%	9,509	8,668	9.7%	525	494	6.3%
Loans to customers (gross) (2)	50,959	52,242	-2.5%	37,984	39,386	-3.6%	12,976	12,856	0.9%
Individuals	27,210	28,126	-3.3%	19,093	20,038	-4.7%	8,116	8,088	0.3%
Mortgage	23,365	23,892	-2.2%	17,087	17,506	-2.4%	6,278	6,386	-1.7%
Consumer and others	3,845	4,235	-9.2%	2,006	2,533	-20.8%	1,839	1,702	8.0%
Companies	23,750	24,116	-1.5%	18,891	19,347	-2.4%	4,859	4,769	1.9%
CREDIT QUALITY									
Total overdue loans	2,927	3,540	-17.3%	2,578	3,211	-19.7%	349	329	6.3%
Overdue loans by more than 90 days	2,807	3,379	-16.9%	2,527	3,107	-18.6%	280	272	2.9%
Overdue loans by more than 90 days / Loans to customers	5.5%	6.5%		6.7%	7.9%		2.2%	2.1%	
Total impairment (balance sheet) (3)	3,447	3,709	-7.0%	2,915	3,280	-11.1%	532	429	24.0%
Total impairment (balance sheet) / Loans to customers	6.8%	7.1%		7.7%	8.3%		4.1%	3.3%	
Total impairment (balance sheet) / Overdue loans by more than 90 days	122.8%	109.8%		115.4%	105.6%		189.9%	157.6%	
Non-Performing Exposures	7,157	9,159	-21.9%	6,282	8,320	-24.5%	875	839	4.3%
Non-Performing Exposures / Loans to customers	14.0%	17.5%		16.5%	21.1%		6.7%	6.5%	
Restructured loans	4,110	4,915	-16.4%	3,540	4,563	-22.4%	570	352	62.0%
Restructured loans / Loans to customers	8.1%	9.4%		9.3%	11.6%		4.4%	2.7%	
Cost of risk (net of recoveries, in b.p.)	85	114		96	128		53	71	
Cost-to-income (4)	45.1%	43.2%		45.0%	42.5%		45.3%	44.4%	

(1) Total customer funds of Millennium bcp were redefined, with reference to 30 September 2017, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for their placement and management, considering comparable amounts for 31 March 2017.

(2) Loans to customers (gross) is presented considering the management criteria of the Group. As at 31 March 2018, includes loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

(3) The amount of impairment considered for the purposes of coverage ratios presented underlies the management criteria adopted by the Group. As at 31 March 2018 includes the balance sheet impairment of loans to customers at amortised cost and the fair value adjustments associated to loans to customers at fair value through profit or loss.

(4) Excludes the impact of specific items.

INDIVIDUAL/CONSOLIDATED QUARTERLY INFORMATION (Not Audited)

(Model applicable to companies subject to the Accounting Plan for Banks/Leasing/Factoring companies)

Company: Banco Comercial Português, S.A.
 Head office: Praça D. João I, 28 - 4000-295 Porto
 NIPC: 501 525 882

BALANCE SHEET ITEMS

(Euros)

	Individual			Consolidated		
	31 March 2018	31 March 2017	Var. (%)	31 March 2018	31 March 2017	Var. (%)
ASSETS (NET)						
Loans to other credit institutions ⁽²⁾	1,765,717,602	2,331,651,752	-24.27%	1,118,528,350	1,596,066,574	-29.92%
Loans to clients	32,827,863,467	34,159,006,479	-3.90%	46,950,067,466	48,533,696,725	-3.26%
Fixed income securities	5,743,049,329	5,065,599,548	13.37%	12,382,022,497	10,348,679,276	19.65%
Variable yield securities	2,532,087,378	2,697,672,299	-6.14%	1,879,366,978	2,029,570,811	-7.40%
Investments	3,364,619,096	3,472,994,577	-3.12%	498,804,667	611,169,107	-18.39%
SHAREHOLDER'S AND EQUIVALENT EQUITY						
Equity Capital	5,600,738,054	5,600,738,054	0.00%	5,600,738,054	5,600,738,054	0.00%
Nº of ordinary shares	15,113,989,952	15,113,989,952	-	15,113,989,952	15,113,989,952	-
Nº of other shares	-	-	-	-	-	-
Value of own shares	-	-	-	88,057	527,332	-83.30%
Nº of voting shares	-	-	-	323,738	2,689,098	-
Nº of preferred, non voting shares	-	-	-	-	-	-
Subordinated loans	1,027,876,928	714,308,168	43.90%	1,179,352,554	846,123,313	39.38%
Minority interests	-	-	-	1,056,200,599	953,404,004	10.78%
LIABILITIES						
Amounts owed to credit institutions	7,747,183,978	9,899,782,747	-21.74%	7,427,083,696	9,284,052,152	-20.00%
Amounts owed to clients	35,716,300,062	34,570,419,080	3.31%	52,389,829,625	50,137,524,166	4.49%
Debt securities	2,297,832,513	2,371,452,456	-3.10%	2,902,941,854	2,962,745,379	-2.02%
TOTAL ASSETS (NET)	53,844,272,522	54,817,122,784	-1.77%	72,673,923,489	72,076,924,470	0.83%
TOTAL SHAREHOLDER'S EQUITY	5,684,637,677	5,751,844,127	-1.17%	5,768,973,357	5,781,343,515	-0.21%
TOTAL LIABILITIES	48,159,634,845	49,065,278,657	-1.85%	65,848,749,533	65,342,176,951	0.78%

INCOME STATEMENTS ITEMS

(Euros)

	Individual			Consolidated		
	31 March 2018	31 March 2017	Var. (%)	31 March 2018	31 March 2017	Var. (%)
Financial Margin ⁽³⁾	186,138,605	190,583,793	-2.33%	344,805,331	332,326,337	3.76%
Commissions and other oper. revenue (net)	112,281,422	111,611,166	0.60%	138,688,529	145,622,329	-4.76%
Securities yield and profits from						
financial transactions (net)	43,416,277	(11,703,354)	-470.97%	37,061,673	15,806,953	134.46%
Banking Income	341,836,304	290,491,605	17.68%	520,555,533	493,755,619	5.43%
Personnel, administ. and other costs	(147,441,620)	(146,261,500)	0.81%	(231,837,810)	(225,556,848)	2.78%
Amortizations	(7,970,983)	(6,871,165)	16.01%	(14,200,139)	(12,740,008)	11.46%
Provisions (net of adjustments)	(108,377,444)	(153,794,964)	-29.53%	(132,489,619)	(182,560,337)	-27.43%
Extraordinary profit	-	-	-	-	-	-
Profit before taxes	78,046,257	(16,436,024)	-574.85%	142,027,965	72,898,426	94.83%
Income tax ⁽⁴⁾	(21,505,512)	4,241,040	-607.08%	(49,314,934)	(19,106,049)	158.11%
Minority interests and income excluded						
from consolidation	-	-	-	(7,123,676)	(3,679,809)	93.59%
Net profit / loss for the quarter	56,540,745	(12,194,984)	-563.64%	85,589,355	50,112,568	70.79%
Net profit / loss per share for the quarter	0.0037	-0.0008	-563.64%	0.0057	0.0033	70.79%
Self financing ⁽⁵⁾	172,889,172	148,471,145	16.45%	232,279,113	245,412,913	-5.35%

(1) Applicable to the first economic period of companies adopting a fiscal year different from the calendar year (Art.65.º - A of the Portuguese Commercial Company Code)

(2) Includes repayable on demand to credit institutions

(3) Financial margin = Interest income - Interest expense

(4) Estimated income tax

(5) Self financing = Net profits + amortization + provision

Q1 2018 Consolidated Financial Statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2018 AND 2017

(Thousands of euros)

	31 March 2018	31 March 2017
Interest and similar income	473,098	475,498
Interest expense and similar charges	(128,293)	(143,171)
NET INTEREST INCOME	344,805	332,327
Dividends from equity instruments	69	96
Net fees and commissions income	167,816	160,810
Net gains / (losses) arising from trading and hedging activities	(6,225)	29,132
Net gains / (losses) arising from financial assets at fair value through other comprehensive income	40,667	7,243
Net gains from insurance activity	12	740
Other operating income / (loss)	(23,996)	(17,566)
TOTAL OPERATING INCOME	523,148	512,782
Staff costs	142,302	136,906
Other administrative costs	89,536	88,651
Amortizations and depreciations	14,200	12,740
TOTAL OPERATING EXPENSES	246,038	238,297
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	277,110	274,485
Loans impairment	(106,067)	(148,891)
Other financial assets impairment	2,550	(20,664)
Other assets impairment	(11,893)	(25,638)
Goodwill impairment of subsidiaries	-	(4)
Impairment for investments in associated companies	(4,627)	-
Other provisions	(9,903)	(8,027)
NET OPERATING INCOME / (LOSS)	147,170	71,261
Share of profit of associates under the equity method	19,798	19,628
Gains / (losses) arising from sales of subsidiaries and other assets	(5,143)	1,637
NET INCOME / (LOSS) BEFORE INCOME TAXES	161,825	92,526
Income taxes		
Current	(23,127)	(27,928)
Deferred	(26,188)	8,822
NET INCOME AFTER INCOME TAXES	112,510	73,420
Net income for the period attributable to:		
Bank's Shareholders	85,589	50,113
Non-controlling interests	26,921	23,307
NET INCOME FOR THE PERIOD	112,510	73,420
Earnings per share (in Euros)		
Basic	0.023	0.021
Diluted	0.023	0.021

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018 AND 31 DECEMBER 2017

(Thousands of euros)

	31 March 2018	31 December 2017
ASSETS		
Cash and deposits at Central Banks	2,265,834	2,167,934
Loans and advances to credit institutions		
Repayable on demand	254,535	295,532
Other loans and advances	863,993	1,065,568
Loans and advances to customers	46,950,067	47,633,492
Other financial assets at amortised cost	990,113	411,799
Financial assets held for trading	1,234,631	897,734
Other financial assets not held for trading mandatorily at fair value through profit or loss	1,608,527	-
Other financial assets held for trading at fair value through profit or loss	142,358	142,336
Financial assets at fair value through other comprehensive income	10,814,387	11,471,847
Assets with repurchase agreement	33,469	-
Hedging derivatives	141,704	234,345
Investments in associated companies	498,805	571,362
Non-current assets held for sale	2,144,725	2,164,567
Investment property	12,485	12,400
Other tangible assets	481,590	490,423
Goodwill and intangible assets	179,775	164,406
Current tax assets	24,834	25,914
Deferred tax assets	2,956,937	3,137,767
Other assets	1,075,152	1,052,024
TOTAL ASSETS	72,673,921	71,939,450
LIABILITIES		
Resources from credit institutions	7,427,084	7,487,357
Resources from customers	52,389,830	51,187,817
Debt securities issued	2,902,942	3,007,791
Financial liabilities held for trading	408,651	399,101
Hedging derivatives	140,827	177,337
Provisions	340,371	324,158
Subordinated debt	1,179,353	1,169,062
Current tax liabilities	12,835	12,568
Deferred tax liabilities	5,528	6,030
Other liabilities	1,041,326	988,493
TOTAL LIABILITIES	65,848,747	64,759,714
EQUITY		
Share capital	5,600,738	5,600,738
Share premium	16,471	16,471
Preference shares	59,910	59,910
Other equity instruments	2,922	2,922
Legal and statutory reserves	252,806	252,806
Treasury shares	(296)	(293)
Fair value reserves	24,118	82,090
Reserves and retained earnings	(273,285)	(120,220)
Net income for the period attributable to Bank's Shareholders	85,589	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,768,973	6,080,815
Non-controlling interests	1,056,201	1,098,921
TOTAL EQUITY	6,825,174	7,179,736
	72,673,921	71,939,450

Glossary of the Performance Alternative Measures

Balance sheet impairment – Balance sheet impairment related to amortised cost and fair value adjustments related to loans to customers at fair value through profit or loss.

Balance sheet customer funds – debt securities and customer deposits.

Capitalisation products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Commercial gap – loans to customers (gross) minus on-balance sheet customer funds.

Core income – net interest income plus net fees and commissions income.

Core net income – corresponding to net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, gross (expressed in bp) – ratio of impairment charges accounted in the period to loans to customers at amortised cost before impairment.

Cost of risk, net (expressed in bp) – ratio of impairment charges (net of recoveries) accounted in the period to loans to customers at amortised cost before impairment.

Cost to core income – operating costs divided by core income (net interest income and net fees and commissions income).

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing loans by balance sheet impairments – BS impairments divided by NPL.

Debt securities – debt securities issued by the Bank and placed with customers.

Dividends from equity instruments – dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

Equity accounted earnings – results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Loans to customers (gross) – Loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) – Loans to customers at amortised cost net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – Loans to customers (net) divided by total customer deposits.

Loan to value ratio (LTV) – Mortgage amount divided by the appraised value of property.

Net commissions – net fees and commissions income.

Net interest margin (NIM) – net interest income for the period as a percentage of average interest earning assets.

Net operating revenues – net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income – net gains/losses arising from trading and hedging activities, net gains/losses arising from financial assets at fair value through other comprehensive income and financial assets at amortised cost.

Non-performing exposures (NPE, according to EBA definition) – Non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired.

Non-performing loans (NPL) – Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Operating costs – staff costs, other administrative costs and depreciation.

Other impairment and provisions – other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income – net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans - loans in arrears, including principal and interests.

Overdue loans by more than 90 days coverage ratio - BS impairments divided by total amount of overdue loans including installments of capital and interest overdue more than 90 days.

Overdue loans coverage ratio – BS impairments divided by total amount of overdue loans including installments of capital and interest overdue.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average total assets.

Return on average assets (ROA) – Net income (before minority interests) divided by the average total assets.

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average attributable equity + non-controlling interests.

Return on equity (ROE) – Net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

Securities portfolio - financial assets held for trading, financial assets not held for trading mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, assets with repurchase agreement, other financial assets at amortised cost and other financial assets held for trading at fair value through profit or loss.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds, capitalisation products, assets under management and investment funds.

Accounts and Notes to the Q1 2018 Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2018 AND 2017

(Thousands of euros)

	Notes	31 March 2018	31 March 2017
Interest and similar income	3	473,098	475,498
Interest expense and similar charges	3	(128,293)	(143,171)
NET INTEREST INCOME		344,805	332,327
Dividends from equity instruments	4	69	96
Net fees and commissions income	5	167,816	160,810
Net gains / (losses) arising from trading and hedging activities	6	(6,225)	29,132
Net gains / (losses) arising from financial assets at fair value through other comprehensive income	7	40,667	7,243
Net gains from insurance activity		12	740
Other operating income / (loss)	8	(23,996)	(17,566)
TOTAL OPERATING INCOME		523,148	512,782
Staff costs	9	142,302	136,906
Other administrative costs	10	89,536	88,651
Amortizations and depreciations	11	14,200	12,740
TOTAL OPERATING EXPENSES		246,038	238,297
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		277,110	274,485
Loans impairment	12	(106,067)	(148,891)
Other financial assets impairment	13	2,550	(20,664)
Other assets impairment	26 and 31	(11,893)	(25,638)
Goodwill impairment of subsidiaries	29	-	(4)
Impairment for investments in associated companies	25	(4,627)	-
Other provisions	14	(9,903)	(8,027)
NET OPERATING INCOME		147,170	71,261
Share of profit of associates under the equity method	15	19,798	19,628
Gains / (losses) arising from sales of subsidiaries and other assets	16	(5,143)	1,637
NET INCOME BEFORE INCOME TAXES		161,825	92,526
Income taxes			
Current	30	(23,127)	(27,928)
Deferred	30	(26,188)	8,822
NET INCOME AFTER INCOME TAXES		112,510	73,420
Net income for the period attributable to:			
Bank's Shareholders		85,589	50,113
Non-controlling interests	43	26,921	23,307
NET INCOME FOR THE PERIOD		112,510	73,420
Earnings per share (in Euros)			
Basic	17	0.023	0.021
Diluted	17	0.023	0.021

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2018 AND 2017**

(Thousands of euros)

31 March 2018

	Gross value	Taxes	Net value	Attributable to	
				Bank's Shareholders	controlling interests
NET INCOME FOR THE PERIOD	161,825	(49,315)	112,510	85,589	26,921
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Fair value reserves associated to debt instruments	37,020	(10,977)	26,043	21,300	4,743
Fair value reserves associated to cash flow hedge	3,883	(856)	3,027	1,846	1,181
Fair value reserves associated to investments in associated companies and others	2,747	-	2,747	2,753	(6)
Exchange differences arising on consolidation	(90,541)	-	(90,541)	(73,048)	(17,493)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 42)	8,001	-	8,001	8,001	-
Others	(559)	-	(559)	(559)	-
	(39,449)	(11,833)	(51,282)	(39,707)	(11,575)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Fair value reserves associated to:					
Equity instruments	(280)	(1,823)	(2,103)	(2,078)	(25)
Own credit risk changes	513	(160)	353	353	-
Actuarial losses for the period	-	(909)	(909)	(909)	-
	233	(2,892)	(2,659)	(2,634)	(25)
Other comprehensive income / (loss) for the period	(39,216)	(14,725)	(53,941)	(42,341)	(11,600)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	122,609	(64,040)	58,569	43,248	15,321

(Thousands of euros)

31 March 2017

	Gross value	Taxes	Net value	Attributable to	
				Bank's Shareholders	controlling interests
NET INCOME / (LOSS) FOR THE PERIOD	92,526	(19,106)	73,420	50,113	23,307
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Fair value reserves	42,225	(7,771)	34,454	27,553	6,901
Exchange differences arising on consolidation	56,141	-	56,141	18,405	37,736
	98,366	(7,771)	90,595	45,958	44,637
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial losses for the period	(1,894)	(360)	(2,254)	(2,254)	-
Other comprehensive income / (loss) for the period	96,472	(8,131)	88,341	43,704	44,637
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	188,998	(27,237)	161,761	93,817	67,944

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018 AND 31 DECEMBER 2017

(Thousands of euros)

	Notes	31 March 2018	31 December 2017
ASSETS			
Cash and deposits at Central Banks	18	2,265,834	2,167,934
Loans and advances to credit institutions			
Repayable on demand	19	254,535	295,532
Other loans and advances	20	863,993	1,065,568
Loans and advances to customers	21	46,950,067	47,633,492
Other financial assets at amortised cost	22	990,113	411,799
Financial assets held for trading	23	1,234,631	897,734
Other financial assets not held for trading mandatorily at fair value through profit or loss	23	1,608,527	-
Other financial assets held for trading at fair value through profit or loss	23	142,358	142,336
Financial assets at fair value through other comprehensive income	23	10,814,387	11,471,847
Assets with repurchase agreement		33,469	-
Hedging derivatives	24	141,704	234,345
Investments in associated companies	25	498,805	571,362
Non-current assets held for sale	26	2,144,725	2,164,567
Investment property	27	12,485	12,400
Other tangible assets	28	481,590	490,423
Goodwill and intangible assets	29	179,775	164,406
Current tax assets		24,834	25,914
Deferred tax assets	30	2,956,937	3,137,767
Other assets	31	1,075,152	1,052,024
TOTAL ASSETS		72,673,921	71,939,450
LIABILITIES			
Resources from credit institutions	32	7,427,084	7,487,357
Resources from customers	33	52,389,830	51,187,817
Debt securities issued	34	2,902,942	3,007,791
Financial liabilities held for trading	35	408,651	399,101
Hedging derivatives	24	140,827	177,337
Provisions	36	340,371	324,158
Subordinated debt	37	1,179,353	1,169,062
Current tax liabilities		12,835	12,568
Deferred tax liabilities	30	5,528	6,030
Other liabilities	38	1,041,326	988,493
TOTAL LIABILITIES		65,848,747	64,759,714
EQUITY			
Share capital	39	5,600,738	5,600,738
Share premium	39	16,471	16,471
Preference shares	39	59,910	59,910
Other equity instruments	39	2,922	2,922
Legal and statutory reserves	40	252,806	252,806
Treasury shares	41	(296)	(293)
Fair value reserves	42	24,118	82,090
Reserves and retained earnings	42	(273,285)	(120,220)
Net income for the period attributable to Bank's Shareholders		85,589	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,768,973	6,080,815
Non-controlling interests	43	1,056,201	1,098,921
TOTAL EQUITY		6,825,174	7,179,736
		72,673,921	71,939,450

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2018 AND 2017**

	(Thousands of euros)	
	31 March 2018	31 March 2017
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	421,777	420,558
Commissions received	206,848	201,898
Fees received from services rendered	29,873	28,623
Interests paid	(111,321)	(127,059)
Commissions paid	(31,532)	(22,589)
Recoveries on loans previously written off	5,053	5,705
Net earned insurance premiums	3,100	4,754
Claims incurred of insurance activity	(2,398)	(2,993)
Payments to suppliers and employees	(294,503)	(294,718)
Income taxes (paid) / received	(11,926)	(16,335)
	214,971	197,844
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	148,356	(269,510)
Deposits held with purpose of monetary control	50,061	(12,521)
Loans and advances to customers receivable	(205,376)	(679,564)
Short term trading account securities	(382,407)	(6,713)
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	(11,341)	331,696
Deposits from credit institutions with agreed maturity date	(41,032)	(983,994)
Deposits from clients repayable on demand	1,131,129	1,095,019
Deposits from clients with agreed maturity date	68,203	271,862
	972,564	(55,881)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Acquisition of shares in subsidiaries and associated companies	-	(787)
Dividends received	69	20,003
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	61,948	56,229
Sale of financial assets at fair value through other comprehensive income and at amortised cost	4,284,658	1,536,082
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(25,545,510)	(10,621,013)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	20,648,158	9,185,271
Acquisition of tangible and intangible assets	(12,428)	(18,994)
Sale of tangible and intangible assets	946	3,108
Decrease / (increase) in other sundry assets	(202,129)	(181,181)
	(764,288)	(21,282)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	1,454	5,245
Reimbursement of subordinated debt	-	(701,193)
Issuance of debt securities	54,915	22,869
Reimbursement of debt securities	(150,474)	(627,460)
Issuance of commercial paper and other securities	4,885	55,933
Reimbursement of commercial paper and other securities	(20,068)	(17,804)
Share capital increase	-	1,295,877
Dividends paid to non-controlling interests	(9,088)	(435)
Increase / (decrease) in other sundry liabilities and non-controlling interests	57,544	(91,433)
	(60,832)	(58,401)
Exchange differences effect on cash and equivalents	(90,541)	56,141
Net changes in cash and equivalents	56,903	(79,423)
Cash (note 18)	540,608	540,290
Deposits at Central Banks (note 18)	1,627,326	1,033,622
Loans and advances to credit institutions repayable on demand (note 19)	295,532	448,225
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,463,466	2,022,137
Cash (note 18)	530,540	485,971
Deposits at Central Banks (note 18)	1,735,294	1,198,452
Loans and advances to credit institutions repayable on demand (note 19)	254,535	258,291
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2,520,369	1,942,714

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 MARCH 2018 AND 2017 AND 31 DECEMBER 2017**

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Fair value reserves	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non- controlling interests (note 43)	Total equity
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	59,910	2,922	252,806	(293)	82,090	(120,220)	186,391	6,080,815	1,098,921	7,179,736
Transition adjustments IFRS 9												
Gross value	-	-	-	-	-	-	(109,059)	(101,720)	-	(210,779)	(38,171)	(248,950)
Taxes	-	-	-	-	-	-	26,913	(172,289)	-	(145,376)	6,848	(138,528)
	-	-	-	-	-	-	(82,146)	(274,009)	-	(356,155)	(31,323)	(387,478)
BALANCES ON 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(56)	(394,229)	186,391	5,724,660	1,067,598	6,792,258
Net income for the period	-	-	-	-	-	-	-	-	85,589	85,589	26,921	112,510
Fair value reserves (note 42)	-	-	-	-	-	-	24,174	-	-	24,174	5,893	30,067
Actuarial losses	-	-	-	-	-	-	-	(909)	-	(909)	-	(909)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(73,048)	-	(73,048)	(17,493)	(90,541)
Application of IAS 29 excluding the effect on net income for the period:												
Effect on equity of BMA (a)	-	-	-	-	-	-	-	8,001	-	8,001	-	8,001
Others	-	-	-	-	-	-	-	(559)	-	(559)	-	(559)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	24,174	(66,515)	85,589	43,248	15,321	58,569
Results application:												
Transfers for Reserves and retained earnings	-	-	-	-	-	-	-	186,391	(186,391)	-	-	-
Gains on equity instruments	-	-	-	-	-	-	-	1,079	-	1,079	-	1,079
Costs related to the share capital increase	-	-	-	-	-	-	-	72	-	72	-	72
Acquisition of 51% of Planfipsa Group	-	-	-	-	-	-	-	-	-	-	(17,571)	(17,571)
Dividends (b)	-	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares (note 41)	-	-	-	-	-	(3)	-	-	-	(3)	-	(3)
Other reserves (note 42)	-	-	-	-	-	-	-	(83)	-	(83)	(59)	(142)
BALANCE AS AT 31 MARCH 2018	5,600,738	16,471	59,910	2,922	252,806	(296)	24,118	(273,285)	85,589	5,768,973	1,056,201	6,825,174

(a) Bank Millennium Atlântico, S.A.

(b) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Fair value reserves	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non-controlling interests (note 43)	Total equity
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	59,910	2,922	245,875	(2,880)	(130,632)	(102,306)	23,938	4,382,116	883,065	5,265,181
Net income for the period	-	-	-	-	-	-	-	-	50,113	50,113	23,307	73,420
Fair value reserves (note 42)	-	-	-	-	-	-	27,553	-	-	27,553	6,901	34,454
Actuarial losses	-	-	-	-	-	-	-	(2,254)	-	(2,254)	-	(2,254)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	18,405	-	18,405	37,736	56,141
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	27,553	16,151	50,113	93,817	67,944	161,761
Results application:												
Transfers for Reserves and retained earnings	-	-	-	-	-	-	-	23,938	(23,938)	-	-	-
Share capital increase	1,331,920	-	-	-	-	-	-	-	-	1,331,920	-	1,331,920
Costs related to the share capital increase	-	-	-	-	-	-	-	(36,043)	-	(36,043)	-	(36,043)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	7,569	-	7,569	-	7,569
Dividends (a)	-	-	-	-	-	-	-	-	-	-	(435)	(435)
Treasury shares (note 41)	-	-	-	-	-	2,152	-	-	-	2,152	-	2,152
Other reserves (note 42)	-	-	-	-	-	-	-	(188)	-	(188)	2,830	2,642
BALANCE AS AT 31 MARCH 2017	5,600,738	16,471	59,910	2,922	245,875	(728)	(103,079)	(90,879)	50,113	5,781,343	953,404	6,734,747
Net income for the period	-	-	-	-	-	-	-	-	136,278	136,278	79,859	216,137
Fair value reserves (note 42)	-	-	-	-	-	-	185,169	-	-	185,169	11,728	196,897
Actuarial losses	-	-	-	-	-	-	-	(12,907)	-	(12,907)	1,325	(11,582)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(18,205)	-	(18,205)	16,872	(1,333)
Application of IAS 29 - effect as at 1 January 2017:												
Effect on equity of BMA (b)	-	-	-	-	-	-	-	44,248	-	44,248	-	44,248
Impairment for investments in associated	-	-	-	-	-	-	-	(44,248)	-	(44,248)	-	(44,248)
Application of IAS 29 excluding the effect on net income for the period:												
Effect on equity of BMA	-	-	-	-	-	-	-	28,428	-	28,428	-	28,428
Others	-	-	-	-	-	-	-	(3,965)	-	(3,965)	-	(3,965)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	185,169	(6,649)	136,278	314,798	109,784	424,582
Results application:												
Legal reserve (note 40)	-	-	-	-	6,931	-	-	(6,931)	-	-	-	-
Costs related to the share capital increase	-	-	-	-	-	-	-	(729)	-	(729)	-	(729)
Tax related to costs arising from the share capital increase (c)	-	-	-	-	-	-	-	(15,833)	-	(15,833)	-	(15,833)
Dividends (a)	-	-	-	-	-	-	-	-	-	-	(7,352)	(7,352)
Treasury shares (note 41)	-	-	-	-	-	435	-	1,083	-	1,518	-	1,518
Other reserves (note 42)	-	-	-	-	-	-	-	(282)	-	(282)	43,085	42,803
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	59,910	2,922	252,806	(293)	82,090	(120,220)	186,391	6,080,815	1,098,921	7,179,736

(a) Dividends of Banco Millennium Angola S.A., BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

(b) Bank Millennium Atlântico, S.A.

(c) Includes the derecognition of deferred taxes related to tax losses from previous periods associated to costs arising from the share capital increase

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the three months ended 31 March 2018 and 2017.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Bank of Portugal Notice no. 1/2005 (revoked by Bank of Portugal Notice no. 5/2015), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The consolidated financial statements presented were approved on 2 May 2018 by the Bank's Executive Committee. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to current version.

These interim condensed consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

The interim condensed consolidated financial statements, for the three month period ended 31 March 2018, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and therefore it does not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that it should be reading with the consolidated financial statements with reference to 31 December 2017.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2018. The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, but it has been introduced changes resulting from the adoption of the following standards: IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customers. IFRS 9 has replaced IAS 39 - Financial Instruments - Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, on the advice of the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1 ad).

B. BASIS OF CONSOLIDATION

As from 1 January 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

i) Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity and is able to take possession of those results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

ii) Investments in associates

Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team;
- provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

iii) Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference at the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

iv) Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

v) Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

vi) Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, for exchange differences between the conversion to Euros of the opening equity at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves - exchange differences. The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are registered in equity in "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions, and it is used a monthly average taking into account the initial and final exchange rate of each month. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies".

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

The Group applies IAS 29 - Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation to the balance sheet date. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated taking into account the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recorded against the item "Reserves and retained earnings".

vii) Transactions eliminated on consolidation

The balances and transactions between Group's companies, or any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in those entities.

C. LOANS AND ADVANCES TO CUSTOMERS AND OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS

The balances Loans and advances to customers and Other financial assets held for trading at fair value through profit or loss include loans and advances originated by the Group which are not intended to be sold in the short term and are recognised when cash is advanced to customers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired; or (ii) the Group transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

i) Impairment

The Group's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed against results, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, can be classified as impaired when there is an objective evidence of impairment as a result of one or more events and when these have an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The new impairment model is applicable to the following set of Group's instruments, which are not at FVTPL: financial assets classified as debt instruments and commitments and financial guarantees granted (for which impairment was calculated in accordance with IAS 37 - Provisions, Liabilities and Contingent Assets).

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- Stage 1: without significant increase in credit risk from the moment of initial recognition. In this case, impairment will reflect expected credit losses arising from defaults over the 12 months from the reporting date;
- Stage 2: instruments in which it is considered that a significant increase in credit risk since initial recognition but for which there is still no objective evidence of impairment and interests are recognised. In this case, the impairment will reflect the expected losses from defaults over the residual life period of the financial instrument;
- Stage 3: instruments for which there is objective evidence of impairment in sequence of events that result in a loss and interests are recognised. In this case, the impairment value will reflect the expected losses for credit risk over the expected residual life of the instrument.

The impairment requirements of IFRS 9 are complex and require Management decisions, estimates and assumptions, particularly in following areas: evaluation of the existence of a significant risk increase from the moment of initial recognition (SICR) and incorporation of forward-looking information into the ECL calculation.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- Financial guarantees: the present value of expected repayments, less the amounts that the Group expects to recover.

IFRS 9 defines financial assets with impairment signals similar to impaired financial assets in accordance with IAS 39.

Definition of defaults

Under IFRS 9, the Group will consider its financial assets to be in default by applying the same definition that is applied for regulatory purposes.

A credit, including capital, interest and expense components, are considered in default when there is a non-compliance of a contractual credit obligation or if an authorized limit has been exceeded and previously communicated to the customer's settlement.

Significant increase in credit risk (SICR)

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk (i.e. default risk) since the initial recognition of the financial instrument, the Group will consider relevant information that is available with no costs and/or excessive effort, including both quantitative and qualitative information as well as an analysis based on Group history, expert judgment and forward-looking.

Under the scope of IFRS 9, the identification of a significant increase in credit risk should be performed by comparing:

- the PD lifetime remaining at the date of the reporting date.
- PD lifetime remaining at the reporting date that would have been estimated at the initial time of exposure recognition.

The Group will monitor the effectiveness of the criteria used to identify the significant increase in credit risk.

Credit risk degrees

According to the current management of the Group's credit risk, each customer, and consequently its exposures, is allocated to a degree of risk from its master scale (see note 52).

The Group will use these risk grades as a key factor in identifying the significant increase in credit risk under IFRS 9.

Inputs of the ECL

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters will be obtained through internal statistical models, and other relevant historical data, taking into account existing regulatory models and adjusted to reflect forward-looking information.

PDs are estimated based on a certain historical period, and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk degrees will be a highly relevant input for determining the PDs associated with each exposure. The Group will collect performance and default indicators on its credit risk exposures with analyses by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

Forward-looking information

Under IFRS 9, the Group will incorporate forward-looking information both in its assessment of the significant risk increase and in the measurement of the ECL. The Group projected the future evolution of the relevant macroeconomic variables based on the assessment of internal experts and other external data.

D. FINANCIAL INSTRUMENTS

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognised on the trade date, thus, in the date that the Group commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Other financial assets at amortised cost

A financial asset is measured at amortized cost if it meets, at the same time, with the following characteristics and if it is not assigned to the at fair value through profit and loss (FVTPL) by option (use of Fair Value Option):

- the financial asset is held in a business model whose main objective is the holding of assets to collect their contractual cash flows (HTC - Held to collect); and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

In this category are included non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

2) Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it, simultaneously, meets the following characteristics and is not assigned at FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model which the purpose is to collect its contractual cash flows and the sale of this financial asset (Held to collect and Sell); and
- contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

Financial assets held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as at fair value through other comprehensive income, except if they are classified in another category of financial assets. The financial assets at fair value through other comprehensive income are initially accounted at fair value, including all expenses or income associated with the transactions and subsequently measured at fair value. The changes in fair value are accounted for against "Fair value reserves".

a) Debt instruments

On disposal or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves are recognised under "Net gains / (losses) arising from financial assets at fair value through other comprehensive income" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable.

b) Equity instruments

Under the scope of IFRS 9, impairment is not recognised in equity instruments registered at FVOCI, and the respective gains/losses accumulated in the fair value reserve transferred to retained earnings on the disposal moment.

In the initial recognition of an equity instrument that is not held for trading, the Group may irrevocably designate it at FVOCI. This designation is made on a case-by-case basis, investment by investment. This option is available for financial instruments that comply with the definition of capital provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument, within the scope of the issuer, is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

Dividends are recognised in profit and losses when the right to receive the dividends is attributed.

3) Financial assets and liabilities at fair value through profit and loss

All financial assets that are not measured, according to the criteria described above, at amortized cost or at FVOCI, are measured at FVTPL. In addition, at initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, such as FVTPL, if the designation eliminates significantly the accounting mismatch that would otherwise exist (Fair value option).

a) Financial assets and liabilities held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, those which are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in "Net gains / (losses) arising on trading and hedging activities". The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in "Financial liabilities held for trading".

b) Other financial assets not held for trading mandatorily at fair value through profit or loss

In this category are classified assets for which the business model is held and also the debt instruments that are mandatorily classified at fair value through profit or loss due to non-compliance with the solely payment of principal and interest ('SPPI') criteria.

At initial recognition an entity may irrevocably designate a financial asset to be measured at fair value through profit and loss if such designation eliminates or significantly reduces a measurement inconsistency or in recognition (sometimes called accounting mismatch) that would otherwise arise from the assets or liabilities measure or recognition of gains or losses on them on different bases.

However, on initial recognition, IFRS 9 permits an entity to make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

c) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Group has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 in Net gains / (losses) arising from trading and hedging activities (note 6) under IAS 39. In adopting IFRS 9, these changes in fair value will be recognised in Other Comprehensive Income (OCI) and the amount recognised in OCI in each year will be variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity.

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) may be performed whenever at least one of the following requirements is fulfilled:

- the financial assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the financial assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, the assets and liabilities financial instruments at fair value through profit or loss are recognised initially at their fair value, with the costs or income associated with the transactions recognised in results at the initial moment, with subsequent changes in fair value under IFRS 9 presented as follows:

- the amount related to the variation in the fair value attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining value of the change in fair value will be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised in "Net interest income" based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in "Net interest income".

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as "Net gains / (losses) from trading and hedging activities", when occurred.

6) Securitizations operations

a) Traditional securitizations

As referred in note 22, the Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 e No.4) which portfolios were accounted derecognized of the individual balance of the Bank, as the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

With the purchase of a part of the residual note, the Group maintained the control of the assets and the liabilities of Magellan Mortgages No.2 e No.3, these Special Purpose Entities (SPE or SPV) are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1 b).

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to an SPE with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

b) Synthetic securitizations

The Group has two synthetic operations. Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

(ii) Impairment

A financial asset - debt instrument, is impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. At each balance sheet date, an assessment is made of the existence of objective evidence of impairment.

If it is determined impairment for a debt instrument classified as at fair value through other comprehensive income(FVOCI), the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is transferred from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as FVOCI increases and this increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Reversal of impairment losses on equity instruments, classified as FVOCI is recognised as a gain in fair value reserves when it occurs (there is no reversal in profit and losses).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

E. DERIVATIVES HEDGE ACCOUNTING

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

F. RECLASSIFICATIONS BETWEEN FINANCIAL INSTRUMENTS CATEGORIES

Reclassifications of financial assets could occur if and only if the entity's business model for managing financial assets changes, which are expected to be infrequent. In that case, all financial assets affected should be reclassified. The reclassification must be done prospectively from the reclassification date, and should not restate any previously recognised gains, losses (including impairment gains or losses), or interest previously recognised. IFRS 9 does not allow reclassification for equity investments measured at fair value through other comprehensive income, or where the fair value option has been exercised in any circumstance for a financial assets or financial liability.

An entity should not reclassify any financial liability.

G. DERECOGNITION

The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are cancelled or extinguished.

H. EQUITY INSTRUMENTS

A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

I. COMPOUND FINANCIAL INSTRUMENTS

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments classified as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability.

Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

J. SECURITIES BORROWING AND REPURCHASE AGREEMENT TRANSACTIONS

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

K. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OR DISCONTINUING OPERATIONS

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable. In order for the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group), and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5 and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term are consolidated until the moment of its sale.

Non-operating real estate (INAE)

The Group also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortization. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the CMVM.

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognized in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Bank may reflect that gain up to the maximum of the impairment that has been recorded on that property.

L. LEASE TRANSACTIONS

In accordance with IAS 17, the lease transactions are classified as financial whenever their terms transfer substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases are classified as operational. The classification of the leases is done according to the substance and not the form of the contract.

i) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, are measured in accordance with the accounting policy defined in note 1k).

ii) Operational leases

At the lessee's perspective, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract is evidenced in its balance sheet.

M. INTEREST RECOGNITION

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

For financial asset or a group of similar financial assets for which impairment losses were recognised, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component is recognised under interest income or expense (Net interest income).

N. RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

Income from services and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

O. FINANCIAL NET GAINS / LOSSES (NET GAINS / LOSSES ARISING FROM TRADING AND HEDGING ACTIVITIES, FROM FINANCIAL ASSETS AVAILABLE FOR SALE AND FROM FINANCIAL ASSETS HELD TO MATURITY)

Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance.

P. FIDUCIARY ACTIVITIES

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

Q. OTHER TANGIBLE ASSETS

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

R. INVESTMENT PROPERTY

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as "Other operating income / (costs)" (note 8).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

S. INTANGIBLE ASSETS

i) Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

ii) Software

The Group accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

T. CASH AND EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

U. OFFSETTING

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Group intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified and iii) the reason for the reclassification.

V. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

W. EMPLOYEE BENEFITS

i) Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP ("Instituto de Seguros de Portugal" - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labour Agreement.

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the "Unit Credit Projected" during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the two unions representative of the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, and the subsequent update of a further month for each year, at the beginning of each calendar year, and can not, in any case, be higher than which it is in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and a new benefit called the End of career premium that replaces the Seniority premium.

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the Insurance and Pension Funds Supervision Authority (ASF), the BCP group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits and also to pass to the pension fund, the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of career premium also became the responsibility of the pension fund under the basic pension plan.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Unit Credit Projected method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the Insurance Supervision Authority and Pension Fund (ASF).

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

ii) Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 March 2018, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group, and does not have a performance criterion.

iii) Share based compensation plan

As at 31 March 2018 there are no share based compensation plans in force.

iv) Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

X. INCOME TAXES

The Group is subject to the regime established by the Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In 2016, a group of entities of the BCP Group adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of taxation of income tax, with BCP being the dominant entity.

Under the scope of taxation under this regime, the Group chose to consider that the effects of the determination of the taxable income according to RETGS are reflected in the tax calculation of each entity's fiscal year, which includes the effect on the current tax due to the use of tax loss carry forwards generated by another entity of the Group.

Y. SEGMENTAL REPORTING

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Other.

"Other" (Portugal activity) includes the activities that are not allocated to remaining segments namely centralized management of financial investments, corporate activities and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

The balance Other (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola.

Z. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

ii) Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote.

The group registers a contingent liability when:

- (a) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

iii) Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

AA. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

AB. INSURANCE CONTRACTS

i) Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

ii) Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro-rata basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

iii) Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

iv) Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

v) Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

AC. INSURANCE OR REINSURANCE INTERMEDIATION SERVICES

The Banco Comercial Português and Banco ActivoBank are entities authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n.º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, they receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established with the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which receipt occurs at different time period to which it relates are subject to registration as an amount receivable in "Other Assets".

AD. ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee, to apply judgments and to make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Board of Directors, on the advice of the Executive Committee, believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

i) Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c). The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in Group's Income Statement.

ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation of the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation of the tax legislation.

The taxable profit or tax loss reported by the Bank or its subsidiaries located in Portugal can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law will not have material effect on the financial statements.

Regarding the activity in Portugal, the specific rules regarding the tax regime for credit impairment and guarantees for the tax periods beginning on or after 1 January 2018 are not defined, since the reference to the Bank of Portugal Notice No. 3/95 was only applicable until 31 December 2017 and the regime that will be effective as at 1 January 2018 has not yet been defined. In this context, the Executive Committee is considering, for the purpose of calculating taxable income and the deferred tax recording with reference to 31 December 2017, that the impairment of the credit and guarantees recorded which is deductible for IRC purpose is limited to the amount of the deductible provisions that would have been verified if the Bank of Portugal Notice No. 3/95 still remained in force.

In the projections of future taxable income, the Bank considered the future maintenance of the tax regime applicable to impairment of loans and guarantees, based on the minimum limits applicable under Bank of Portugal Notice 3/95, which was in force in 2015 (pursuant to Regulatory Decree No. 19/2015 of 30 December), 2016 (pursuant to Regulatory Decree No. 5/2016 of 18 November) and 2017 (under the terms of Regulatory Decree n. 11/2017, of 28 December).

iii) Non-current assets held for sale (real estate) valuation

The properties registered in the portfolio of non-current assets held for sale are subject to periodic real estate valuations, carried out by independent experts registered at the CMVM, from their registration and until their derecognition, to be carried out on a property by property basis, according to the circumstances in which each property is and consistent with the disposal strategy. The preparation of these evaluations involves the use of several assumptions. Different assumptions or changes occurred in them may affect the recognised value of these assets.

iv) Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rate, mortality table, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros – related to a diverse and representative range of issuers.

v) Impairment of debt instruments at fair value through other comprehensive income

The Group determines that their debt instruments at fair value through other comprehensive income are impaired when there has been a significant or prolonged decrease in the fair value. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Group.

vi) Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

vii) Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and it is able to take possession of those results through the power it holds (de facto control). The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns. Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

viii) Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

AE. SUBSEQUENT EVENTS

The Bank analyses events occurring after the balance sheet date, that is, favorable and / or unfavorable events occurring between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

- i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
- ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurring after the date of the statement of financial position that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

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 at fair value through other comprehensive income, 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)	
	31 March 2018	31 March 2017
Net interest income (note 3)	344,805	332,327
Net gains from trading and hedging assets (note 6)	(6,225)	29,132
Net gains from financial assets at fair value through other comprehensive income (note 7)	40,667	7,243
	<u>379,247</u>	<u>368,702</u>

3. NET INTEREST INCOME

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Interest and similar income		
Interest on loans	357,867	385,804
Interest on trading securities	1,394	1,290
Interest on financial assets not held for trading through profit or loss account	1,793	-
Interest on other financial assets valued at fair value through profit or loss	857	890
Interest on financial assets at fair value through other comprehensive income	38,738	51,055
Interest financial assets at amortised cost	32,772	4,943
Interest on hedging derivatives	22,206	21,911
Interest on derivatives associated to financial instruments through profit or loss	10,474	1,695
Interest on deposits and other investments	6,997	7,910
	<u>473,098</u>	<u>475,498</u>
Interest expense and similar charges		
Interest on deposits and other resources	(89,887)	(90,598)
Interest on securities issued	(12,659)	(26,224)
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	-	(6,343)
Others	(18,867)	(14,130)
Interest on hedging derivatives	(6,025)	(4,579)
Interest on derivatives associated to financial instruments through profit or loss	(855)	(1,297)
	<u>(128,293)</u>	<u>(143,171)</u>
	<u>344,805</u>	<u>332,327</u>

The balance Interest on loans includes the amount of Euros 11,838,000 (31 March 2017: Euros 9,940,000) 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 7,598,000 (31 March 2017: Euros 12,141,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Dividends from financial assets through other comprehensive income	69	96
Dividends from financial assets through other comprehensive income	69	96

The balance of Dividends from financial assets through other comprehensive income includes dividends and income from investment fund units received during the period.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Fees and commissions received		
From guarantees provided	14,502	16,012
From commitments	1,011	925
From banking services	127,820	108,771
From insurance activity commissions	257	355
From securities operations	20,225	20,986
From management and maintenance of accounts	26,188	23,185
From fiduciary and trust activities	212	257
From other commissions	10,726	15,372
	200,941	185,863
Fees and commissions paid		
From guarantees received	(1,314)	(1,431)
From banking services	(24,986)	(17,651)
From insurance activity commissions	(290)	(456)
From securities operations	(2,918)	(2,402)
From other commissions	(3,617)	(3,113)
	(33,125)	(25,053)
	167,816	160,810

The balance Fees and commissions received - From banking services includes the amount of Euros 20,580,000 (31 March 2017: Euros 19,894,000) related to insurance mediation commissions in Portugal.

6. NET GAINS / (LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Gains arising on trading and hedging activities		
Foreign exchange activity	343,117	436,513
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	12,077	2,272
Variable income	562	88
Certificates and structured securities issued	30,109	14,403
Derivatives associated to financial instruments at fair value through profit or loss	3,504	6,847
Other financial instruments derivatives	65,235	169,891
Other financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers	5,911	-
Securities portfolio		
Fixed income	6,326	-
Variable income	205	-
Other financial instruments at fair value through profit or loss		
Other financial instruments	4,978	1,175
Repurchase of own issues	7	238
Hedging accounting		
Hedging derivatives	32,108	38,879
Hedged items	5,182	44,707
Credit sales	348	10,068
Other operations	289	2,903
	509,958	727,984
Losses arising on trading and hedging activities		
Foreign exchange activity	(325,148)	(414,948)
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	(9,608)	(1,538)
Variable income	(568)	(210)
Certificates and structured securities issued	(6,788)	(46,340)
Derivatives associated to financial instruments at fair value through profit or loss	(7,959)	(3,356)
Other financial instruments derivatives	(93,609)	(133,562)
Other financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers	(9,280)	-
Securities portfolio		
Fixed income	(5,483)	-
Variable income	(2,396)	-
Other financial instruments at fair value through profit or loss		
Securities portfolio		
Fixed income	(1,467)	(887)
Other financial instruments	(969)	(4,295)
Repurchase of own issues	(10)	(10)
Hedging accounting		
Hedging derivatives	(20,731)	(59,328)
Hedged items	(16,481)	(28,819)
Credit sales	(15,351)	(5,156)
Other operations	(335)	(403)
	(516,183)	(698,852)
	(6,225)	29,132

7. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Gains arising from financial assets at fair value through other comprehensive income		
Fixed income	40,784	8,303
Losses arising from financial assets at fair value through other comprehensive income		
Fixed income	(117)	(678)
Variable income	-	(382)
	(117)	(1,060)
	40,667	7,243

During the first quarter of 2018, the balance Gains arising from financial assets at fair value through other comprehensive income - Fixed income - includes the amount of Euros 10,808,000 (31 March 2017: Euros 1,789,000) related to gains resulting from the sale of Portuguese Treasury bonds.

8. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Operating income		
Income from services	6,035	7,240
Cheques and others	3,067	3,397
Gains on leasing operations	1,100	1,175
Rents	787	516
Other operating income	3,552	4,029
	14,541	16,357
Operating costs		
Taxes	(3,770)	(3,942)
Donations and contributions	(961)	(1,140)
Resolution Funds Contributions	(9,048)	(10,193)
Contributions to Deposit Guarantee Fund	(4,130)	(3,120)
Tax for the Polish banking sector	(12,509)	(10,964)
Losses on financial leasing operations	(216)	(79)
Other operating costs	(7,903)	(4,485)
	(38,537)	(33,923)
	(23,996)	(17,566)

The item Resolution Funds Contributions corresponds, as at 31 March 2018 and 2017, to the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland.

9. STAFF COSTS

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Salaries and remunerations	111,217	102,224
Mandatory social security charges	26,952	25,252
Voluntary social security charges	3,059	4,193
Other staff costs	1,074	5,237
	142,302	136,906

10. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Rents and leases	18,535	24,067
Outsourcing and independent labour	19,590	19,506
Advertising	4,692	4,749
Communications	5,241	5,691
Maintenance and related services	3,358	4,237
Information technology services	8,591	3,741
Water, electricity and fuel	4,042	3,900
Advisory services	4,321	1,908
Transportation	2,559	1,839
Travel, hotel and representation costs	2,266	1,847
Legal expenses	1,399	1,889
Consumables	1,058	1,302
Insurance	985	1,067
Credit cards and mortgage	2,365	982
Training costs	950	505
Other specialised services	5,013	5,618
Other supplies and services	4,571	5,803
	89,536	88,651

11. AMORTIZATIONS AND DEPRECIATIONS

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Intangible assets amortizations (note 29):		
Software	3,162	2,585
Other intangible assets	284	139
	3,446	2,724
Other tangible assets depreciations (note 28):		
Properties	4,792	4,788
Equipment		
Computer equipment	2,628	2,058
Motor vehicles	1,141	1,110
Interior installations	574	472
Furniture	528	466
Security equipment	378	400
Machinery	162	174
Other equipment	551	547
	10,754	10,016
	14,200	12,740

12. LOANS IMPAIRMENT

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Loans and advances to customers:		
Impairment charge for the period	240,382	226,624
Reversals for the period	(129,283)	(72,029)
Recoveries of loans and interest charged-off (note 21)	(5,052)	(5,704)
	106,047	148,891
Loans and advances to credit institutions:		
Impairment charge for the period	20	-
	106,067	148,891

The balance Loans impairment records the variation of the estimate of expected credit losses determined according with the evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 c).

13. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Impairment of financial assets at fair value through other comprehensive income		
Charge for the period	1,606	20,664
Reversals for the period	(2,977)	-
	(1,371)	20,664
Impairment for other financial assets at amortised cost		
Charge for the period	4	-
Reversals for the period	(1,183)	-
	(1,179)	-
	(2,550)	20,664

14. OTHER PROVISIONS

The amount of this account is comprised of:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Provision for guarantees and other commitments (note 36)		
Charge for the period	10,658	6,872
Reversals for the period	(9,814)	(6,047)
	844	825
Other provisions for liabilities and charges (note 36)		
Charge for the period	9,069	7,441
Reversals for the period	(10)	(239)
	9,059	7,202
	9,903	8,027

15. SHARE OF PROFIT OF ASSOCIATES UNDER THE EQUITY METHOD

The main contributions of the investments accounted for under the equity method are analysed as follows:

	(Thousands of euros)	
	31 March	31 March
	2018	2017
Banco Millennium Atlântico, S.A.		
Appropriation relating to the current period	4,056	7,631
Appropriation relating to the previous period	-	(14)
Effect of the application of IAS 29:		
Revaluation of the net non-monetary assets of the BMA	(1,143)	-
Revaluation of the goodwill associated to the investment in BMA	4,627	-
	7,540	7,617
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	8,920	9,626
Unicre - Instituição Financeira de Crédito, S.A.	1,832	956
Banque BCP, S.A.S.	820	861
SIBS, S.G.P.S, S.A.	686	554
Banque BCP (Luxembourg), S.A.	-	3
Other companies	-	11
	19,798	19,628

16. GAINS / (LOSSES) ARISING FROM SALES OF SUBSIDIARIES AND OTHER ASSETS

Gains / (losses) arising from sales of subsidiaries and other assets includes gains / (losses) arising from the sale of assets of the Group classified as non-current assets held for sale (note 26), as also the gains/ (losses) arising on sales and revaluations of investment properties (note 27).

17. EARNINGS PER SHARE

The earnings per share are calculated as follows:

	(Thousands of euros)	
	31 March	31 March
	2018	2017
Continuing operations		
Net income	112,510	73,420
Non-controlling interests	(26,921)	(23,307)
Appropriated net income	85,589	50,113
Average number of shares	15,113,989,952	9,484,201,653
Basic earnings per share (Euros):	0.023	0.021
Diluted earnings per share (Euros):	0.023	0.021

The Bank's share capital, as at 31 March 2018, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

There were not identified another dilution effects of the earnings per share as at 31 March 2018 and 2017, so the diluted result is equivalent to the basic result.

18. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Cash	530,540	540,608
Central Banks		
Bank of Portugal	795,154	939,852
Central Banks abroad	940,140	687,474
	2,265,834	2,167,934

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

19. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Credit institutions in Portugal	7,860	8,394
Credit institutions abroad	174,423	160,389
Amounts due for collection	72,252	126,749
	254,535	295,532

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

20. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Other loans and advances to Central Banks abroad	53	50,114
Other loans and advances to credit institutions in Portugal		
Very short-term applications	-	39,742
Loans	36,098	39,220
Other applications	2,630	10,328
	38,728	89,290
Other loans and advances to credit institutions abroad		
Very short-term applications	90,635	388,327
Short-term applications	479,525	262,339
Other applications	255,118	274,837
	825,278	925,503
	864,059	1,064,907
Overdue loans - Over 90 days	657	661
	864,716	1,065,568
Impairment for other loans and advances to credit institutions	(723)	-
	863,993	1,065,568

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2018
Balance on 1 January	-	-
Transfers resulting from the application of IFRS 9	703	-
Impairment charge for the period	20	-
Balance on 31 March	723	-

21. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Public sector	881,520	853,393
Asset-backed loans	27,097,869	27,885,255
Other guaranteed loans	3,810,827	3,932,216
Unsecured loans	8,062,362	7,779,063
Foreign loans	1,826,572	1,852,420
Factoring operations	2,174,200	2,106,173
Finance leases	3,499,786	3,525,058
	47,353,136	47,933,578
Overdue loans - less than 90 days	119,355	88,500
Overdue loans - Over 90 days	2,622,947	2,933,345
	50,095,438	50,955,423
Impairment for credit risk	(3,145,371)	(3,321,931)
	46,950,067	47,633,492

As at 31 March 2018, the balance Loans and advances to customers includes the amount of Euros 12,254,854,000 (31 December 2017: Euros 12,146,649,000) regarding credits related to mortgage loans issued by the Group.

The Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

The analysis of loans and advances to customers, by type of credit, is as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Loans not represented by securities		
Mortgage loans	23,210,667	23,307,977
Loans	13,211,168	13,766,728
Finance leases	3,499,786	3,525,058
Factoring operations	2,174,200	2,106,173
Current account credits	1,672,946	1,556,279
Overdrafts	1,444,462	1,456,141
Discounted bills	242,095	232,169
	45,455,324	45,950,525
Loans represented by securities		
Commercial paper	1,662,201	1,702,941
Bonds	235,611	280,112
	1,897,812	1,983,053
	47,353,136	47,933,578
Overdue loans - less than 90 days	119,355	88,500
Overdue loans - Over 90 days	2,622,947	2,933,345
	50,095,438	50,955,423
Impairment for credit risk	(3,145,371)	(3,321,931)
	46,950,067	47,633,492

The analysis of loans and advances to customers, by sector of activity, is as follows:

	31 March 2018		31 December 2017	
	Euros '000	%	Euros '000	%
Agriculture and forestry	315,367	0.63%	307,078	0.60%
Fisheries	29,827	0.06%	30,581	0.06%
Mining	90,094	0.18%	83,468	0.16%
Food, beverage and tobacco	720,853	1.44%	719,258	1.41%
Textiles	477,283	0.95%	471,409	0.93%
Wood and cork	231,401	0.46%	243,753	0.48%
Paper, printing and publishing	225,935	0.45%	232,870	0.46%
Chemicals	906,905	1.81%	864,681	1.70%
Machinery, equipment and basic metallurgical	1,277,359	2.55%	1,233,175	2.42%
Electricity and gas	499,590	1.00%	532,539	1.05%
Water	201,763	0.40%	269,585	0.53%
Construction	2,084,378	4.16%	2,405,457	4.72%
Retail business	1,430,599	2.86%	1,339,252	2.63%
Wholesale business	2,106,611	4.21%	2,132,811	4.19%
Restaurants and hotels	976,917	1.95%	1,082,566	2.13%
Transports	1,086,448	2.17%	1,338,111	2.63%
Post offices	4,866	0.01%	5,009	0.01%
Telecommunications	314,701	0.63%	327,841	0.64%
Services				
Financial intermediation	2,234,056	4.46%	2,232,824	4.38%
Real estate activities	1,612,687	3.22%	1,659,961	3.26%
Consulting, scientific and technical activities	2,343,819	4.68%	2,447,148	4.80%
Administrative and support services activities	555,449	1.11%	559,688	1.10%
Public sector	968,948	1.93%	991,623	1.95%
Education	129,694	0.26%	136,043	0.27%
Health and collective service activities	290,202	0.58%	305,384	0.60%
Artistic, sports and recreational activities	279,505	0.56%	324,033	0.64%
Other services	558,312	1.11%	586,821	1.15%
Consumer loans	3,844,591	7.68%	3,794,710	7.45%
Mortgage credit	23,364,932	46.64%	23,407,977	45.94%
Other domestic activities	387	0.00%	5,111	0.01%
Other international activities	931,959	1.86%	884,656	1.74%
	50,095,438	100.00%	50,955,423	100.00%
Impairment for credit risk	(3,145,371)		(3,321,931)	
	46,950,067		47,633,492	

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Amount of future minimum payments	3,964,275	3,956,596
Interest not yet due	(464,489)	(431,538)
Present value	3,499,786	3,525,058

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performing restructured loans, by sector of activity, is as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Agriculture and forestry	4,684	8,464
Fisheries	1,880	2,019
Mining	4,598	13,338
Food, beverage and tobacco	1,175	1,020
Textiles	471	554
Wood and cork	3,056	2,977
Paper, printing and publishing	258	450
Chemicals	2,184	2,108
Machinery, equipment and basic metallurgical	13,712	17,755
Electricity and gas	340	431
Water	213	250
Construction	33,614	32,135
Retail business	90,868	95,818
Wholesale business	15,650	16,888
Restaurants and hotels	10,695	10,252
Transports	6,735	13,372
Post offices	30	30
Telecommunications	74,495	80,701
Services		
Financial intermediation	456	495
Real estate activities	3,206	5,969
Consulting, scientific and technical activities	5,964	8,110
Administrative and support services activities	62,702	7,436
Public sector	19,443	41,070
Education	381	390
Health and collective service activities	102	89
Artistic, sports and recreational activities	428	381
Other services	1,155	1,546
Consumer loans	136,095	125,646
Mortgage credit	108,387	107,182
Other international activities	12,175	10,434
	615,152	607,310

The analysis of overdue loans, by sector of activity, is as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Agriculture and forestry	17,765	16,167
Fisheries	222	237
Mining	7,252	8,059
Food, beverage and tobacco	18,759	17,287
Textiles	26,246	24,668
Wood and cork	11,853	11,704
Paper, printing and publishing	6,056	5,915
Chemicals	44,430	45,707
Machinery, equipment and basic metallurgical	56,628	62,540
Electricity and gas	165	150
Water	2,862	4,410
Construction	419,100	616,806
Retail business	82,713	84,765
Wholesale business	108,668	128,818
Restaurants and hotels	70,041	75,955
Transports	23,711	31,780
Post offices	385	381
Telecommunications	8,109	6,490
Services		
Financial intermediation	268,900	298,984
Real estate activities	312,275	357,905
Consulting, scientific and technical activities	228,827	217,534
Administrative and support services activities	32,914	29,603
Public sector	479	312
Education	2,508	2,642
Health and collective service activities	2,782	2,532
Artistic, sports and recreational activities	5,872	6,030
Other services	268,006	261,021
Consumer loans	394,004	381,412
Mortgage credit	258,022	253,258
Other domestic activities	372	5,096
Other international activities	62,376	63,677
	2,742,302	3,021,845

The changes occurred in impairment for credit risks are analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Balance on 1 January	3,321,931	3,740,851
Transfers resulting from the application of IFRS 9	(48,915)	-
IFRS 9 adjustments in net income interest	9,419	-
Other transfers	(52,644)	-
Impairment charge for the period	240,382	226,624
Reversals for the period	(129,283)	(72,029)
Loans charged-off	(187,176)	(200,375)
Exchange rate differences	(8,343)	13,610
Balance on 31 March	3,145,371	3,708,681

The analysis of impairment, by sector of activity, is as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Agriculture and forestry	31,404	33,190
Fisheries	1,018	1,003
Mining	10,505	10,933
Food, beverage and tobacco	20,123	15,108
Textiles	20,948	24,333
Wood and cork	13,784	22,020
Paper, printing and publishing	8,633	12,030
Chemicals	41,496	40,858
Machinery, equipment and basic metallurgical	58,990	55,255
Electricity and gas	1,538	1,700
Water	13,359	13,210
Construction	391,779	547,885
Retail business	71,049	73,246
Wholesale business	110,909	116,930
Restaurants and hotels	76,291	110,254
Transports	30,335	37,393
Post offices	878	671
Telecommunications	17,763	16,351
Services		
Financial intermediation	435,732	484,650
Real estate activities	202,048	227,813
Consulting, scientific and technical activities	520,966	500,051
Administrative and support services activities	86,406	66,760
Public sector	2,979	2,731
Education	8,174	6,342
Health and collective service activities	5,697	3,979
Artistic, sports and recreational activities	54,573	78,627
Other services	189,503	163,246
Consumer loans	401,281	373,513
Mortgage credit	264,448	240,546
Other domestic activities	3,411	76
Other international activities	49,351	41,227
	3,145,371	3,321,931

The analysis of loans charged-off, by sector of activity, is as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Agriculture and forestry	565	477
Mining	48	119
Food, beverage and tobacco	157	1,890
Textiles	4,977	2,340
Wood and cork	33	969
Paper, printing and publishing	8	1,810
Chemicals	1,154	2,229
Machinery, equipment and basic metallurgical	7,836	5,724
Electricity and gas	-	7
Water	71	3
Construction	49,790	23,933
Retail business	4,978	14,985
Wholesale business	15,951	19,765
Restaurants and hotels	6,693	1,463
Transports	12,295	37,980
Post offices	1	33
Telecommunications	1	463
Services		
Financial intermediation	29,666	5,070
Real estate activities	16,248	11,201
Consulting, scientific and technical activities	2,218	485
Administrative and support services activities	331	2,034
Public sector	4	-
Education	42	179
Health and collective service activities	34	102
Artistic, sports and recreational activities	10	74
Other services	932	709
Consumer loans	27,712	46,567
Mortgage credit	5,018	3,155
Other domestic activities	359	12,934
Other international activities	44	3,675
	187,176	200,375

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of recovered loans and interest, occurred during the first quarter of 2018 and 2017, by sector of activity, is as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Agriculture and forestry	29	10
Fisheries	-	42
Food, beverage and tobacco	98	146
Textiles	2	14
Wood and cork	10	53
Paper, printing and publishing	4	252
Chemicals	10	115
Machinery, equipment and basic metallurgical	(9)	138
Electricity and gas	1	-
Construction	315	1,644
Retail business	241	101
Wholesale business	55	1,566
Restaurants and hotels	9	22
Transports	123	311
Telecommunications	1	-
Services		
Financial intermediation	2,235	2
Real estate activities	81	135
Consulting, scientific and technical activities	21	37
Administrative and support services activities	21	252
Health and collective service activities	-	10
Artistic, sports and recreational activities	4	-
Other services	27	3
Consumer loans	1,119	786
Mortgage credit	1	-
Other domestic activities	7	4
Other international activities	647	61
	5,052	5,704

22. OTHER FINANCIAL ASSETS AT AMORTISED COST

The balance Other financial assets at amortised cost is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Bonds and other fixed income securities		
Issued by public entities	661,816	119,873
Issued by other entities	328,957	291,926
	990,773	411,799
Impairment for other financial assets at amortised cost	(660)	-
	990,113	411,799

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Other financial assets at amortised cost, by sector of activity, is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Chemicals	25,051	-
Construction	39,007	-
Transports and communications	174,675	173,909
Services		
Financial intermediation	74,712	78,872
Consulting, scientific and technical activities	14,965	39,145
	328,410	291,926
Government and Public securities	661,703	119,873
	990,113	411,799

As part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, in which are included fixed income securities.

23. FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS NOT HELD FOR TRADING MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance Financial assets held for trading, Other financial assets not held for trading mandatorily at fair value through profit or loss, Other financial assets held for trading at fair value through profit or loss and Financial assets at fair value through other comprehensive income is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Loans and advances to customers at fair value		
Loans not represented by securities at fair value	560,056	-
Loans represented by securities at fair value	2,040	-
	562,096	-
Bonds and other fixed income securities		
Issued by public entities	9,636,748	7,720,019
Issued by other entities	1,721,691	2,913,550
	11,358,439	10,633,569
Overdue securities	3,722	3,722
Impairment for overdue securities	(3,722)	(3,722)
	11,358,439	10,633,569
Shares and other variable income securities	1,142,130	1,137,064
	12,500,569	11,770,633
Trading derivatives	737,238	741,284
	13,799,903	12,511,917

The balance Loans to customers at fair value is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Asset-backed loans	518,212	-
Other guaranteed loans	76,451	-
Unsecured loans	27,443	-
Foreign loans	17,550	-
Finance leases	39,950	-
	679,606	-
Overdue loans - Over 90 days	184,451	-
	864,057	-
Fair value adjustments	(301,961)	-
	562,096	-

The analysis of Loans to customers at fair value, by type of operation, is as follows

	(Thousands of euros)	
	31 March 2018	31 December 2017
Loans not represented by securities		
Mortgage loans	4,421	-
Loans	635,225	-
Finance leases	39,950	-
Overdrafts	10	-
	679,606	-
Overdue loans - Over 90 days	184,451	-
	864,057	-
Fair value adjustments	(301,961)	-
	562,096	-

The analysis of loans and advances to customers at fair value, by sectors of activity is as follows:

(Thousands of euros)				
31 March 2018				31 December 2017
	Gross value	Fair value adjustments	Net value	Net value
Textiles	7,972	(4,243)	3,729	-
Wood and cork	14,206	(11,386)	2,820	-
Paper, printing and publishing	11,892	(4,365)	7,527	-
Chemicals	3,743	(1,970)	1,773	-
Machinery, equipment and basic metallurgical	10,094	106	10,200	-
Electricity and gas	32,214	(1,761)	30,453	-
Water	59,885	(5,416)	54,469	-
Construction	217,030	(149,938)	67,092	-
Retail business	6,153	(1,125)	5,028	-
Wholesale business	8,604	(4,099)	4,505	-
Restaurants and hotels	94,901	(31,761)	63,140	-
Transports	217,741	(12,312)	205,429	-
Telecommunications	5,442	(902)	4,540	-
Services				
Financial intermediation	60,128	(30,688)	29,440	-
Real estate activities	32,776	(2,971)	29,805	-
Consulting, scientific and technical activities	21,641	(12,368)	9,273	-
Artistic, sports and recreational activities	42,083	(23,214)	18,869	-
Other international activities	17,551	(3,547)	14,004	-
	864,056	(301,960)	562,096	-

The portfolio of Financial assets held for trading, Other financial assets not held for trading mandatorily at fair value through profit or loss, Other financial assets held for trading at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 March 2018, is analysed as follows:

(Thousands of euros)					
31 March 2018					
	Trading	Mandatorily at fair value through profit or loss	At fair value through profit or loss	At fair value through other comprehensive income	Total
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	10,877	-	142,358	4,043,964	4,197,199
Foreign issuers	426,921	-	-	3,668,997	4,095,918
Bonds issued by other entities					
Portuguese issuers	9,388	16,746	-	928,912	955,046
Foreign issuers	47,261	-	-	723,106	770,367
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	452,325	452,325
Foreign issuers	-	-	-	891,306	891,306
	494,447	16,746	142,358	10,708,610	11,362,161
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	494,447	16,746	142,358	10,704,888	11,358,439
Variable income:					
Shares					
Portuguese companies	1,676	-	-	26,324	28,000
Foreign companies	37	7,778	-	16,151	23,966
Investment fund units	672	1,021,907	-	67,024	1,089,603
Other securities	561	-	-	-	561
	2,946	1,029,685	-	109,499	1,142,130
Trading derivatives	737,238	-	-	-	737,238
	1,234,631	1,046,431	142,358	10,814,387	13,237,807

The portfolio of Financial assets held for trading, Other financial assets not held for trading mandatorily at fair value through profit or loss, Other financial assets held for trading at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, net of impairment, as at 31 December 2017, is analysed as follows:

(Thousands of euros)				
31 December 2017				
	Trading	At fair value through profit or loss	At fair value through other comprehensive income	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	10,035	142,336	2,898,293	3,050,664
Foreign issuers	81,267	-	3,219,421	3,300,688
Bonds issued by other entities				
Portuguese issuers	6,790	-	1,295,359	1,302,149
Foreign issuers	54,619	-	1,560,504	1,615,123
Treasury bills and other Government bonds				
Portuguese issuers	-	-	584,908	584,908
Foreign issuers	-	-	783,759	783,759
	152,711	142,336	10,342,244	10,637,291
Impairment for overdue securities	-	-	(3,722)	(3,722)
	152,711	142,336	10,338,522	10,633,569
Variable income:				
Shares				
Portuguese companies	2,100	-	28,729	30,829
Foreign companies	24	-	18,132	18,156
Investment fund units	764	-	1,086,464	1,087,228
Other securities	851	-	-	851
	3,739	-	1,133,325	1,137,064
Trading derivatives	741,284	-	-	741,284
	897,734	142,336	11,471,847	12,511,917

The portfolio of financial assets at fair value through other comprehensive income, as at 31 March 2018, is analysed as follows:

(Thousands of euros)

	31 March 2018					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value reserves	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	3,916,036	-	3,916,036	143,729	(15,801)	4,043,964
Foreign issuers	3,653,262	-	3,653,262	-	15,735	3,668,997
Bonds issued by other entities						
Portuguese issuers (*)	876,330	(3,722)	872,608	(2,947)	55,529	925,190
Foreign issuers	721,878	(1,415)	720,463	18	2,625	723,106
Treasury bills and other Government bonds						
Portuguese issuers	452,086	-	452,086	-	239	452,325
Foreign issuers	891,799	-	891,799	-	(493)	891,306
	10,511,391	(5,137)	10,506,254	140,800	57,834	10,704,888
Variable income:						
Shares						
Portuguese companies	95,926	-	95,926	-	(69,602)	26,324
foreign companies	10,843	-	10,843	-	5,308	16,151
Investment fund units	84,841	-	84,841	-	(17,817)	67,024
	191,610	-	191,610	-	(82,111)	109,499
	10,703,001	(5,137)	10,697,864	140,800	(24,277)	10,814,387

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	31 December 2017					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value reserves	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,809,521	-	2,809,521	146,381	(57,609)	2,898,293
Foreign issuers	3,211,861	-	3,211,861	-	7,560	3,219,421
Bonds issued by other entities						
Portuguese issuers (*)	1,309,423	(87,369)	1,222,054	(1,973)	71,556	1,291,637
Foreign issuers	1,555,832	(1,427)	1,554,405	(391)	6,490	1,560,504
Treasury bills and other Government bonds						
Portuguese issuers	585,072	-	585,072	-	(164)	584,908
Foreign issuers	784,264	(1)	784,263	-	(504)	783,759
	10,255,973	(88,797)	10,167,176	144,017	27,329	10,338,522
Variable income:						
Shares						
Portuguese companies	94,953	(73,106)	21,847	-	6,882	28,729
foreign companies	15,191	(250)	14,941	-	3,191	18,132
Investment fund units	1,475,209	(408,226)	1,066,983	-	19,481	1,086,464
	1,585,353	(481,582)	1,103,771	-	29,554	1,133,325
	11,841,326	(570,379)	11,270,947	144,017	56,883	11,471,847

(*) This caption includes the amount related to impairment of overdue securities

The analysis of Financial assets held for trading, Other financial assets not held for trading mandatorily at fair value through profit or loss, Other financial assets held for trading at fair value through profit or loss and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 March 2018 is as follows:

(Thousands of euros)

	31 March 2018				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	2	-	-	2
Chemicals	-	2	-	-	2
Machinery, equipment and basic metallurgical	-	6	-	-	6
Construction	-	10	-	2,394	2,404
Retail business	5,378	1,629	-	-	7,007
Wholesale business	52,713	1,015	-	126	53,854
Restaurants and hotels	-	26	-	-	26
Transports	605,573	-	-	-	605,573
Telecommunications	-	6,424	-	-	6,424
Services					
Financial intermediation	788,295	23,271	1,040,195	-	1,851,761
Real estate activities	-	-	41,497	-	41,497
Consulting, scientific and technical activities	136,323	271	-	-	136,594
Administrative and support services activities	-	12,637	-	-	12,637
Public sector	116,726	-	-	-	116,726
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	6,653	7,911	1	14,565
Other international activities	-	4	561	-	565
	1,721,691	51,966	1,090,164	3,722	2,867,543
Government and Public securities	8,293,117	-	1,343,631	-	9,636,748
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	10,014,808	51,966	2,433,795	-	12,500,569

The analysis of Financial assets held for trading, Other financial assets not held for trading mandatorily at fair value through profit or loss, Other financial assets held for trading at fair value through profit or loss and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2017 is as follows:

(Thousands of euros)

	31 December 2017				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	2	-	-	2
Chemicals	26,753	2	-	-	26,755
Machinery, equipment and basic metallurgical	-	5	-	-	5
Construction	-	4	-	2,394	2,398
Retail business	4,378	1,621	-	-	5,999
Wholesale business	49,619	852	-	126	50,597
Restaurants and hotels	-	46	-	-	46
Transports	828,640	2,168	-	-	830,808
Telecommunications	-	6,424	-	-	6,424
Services					
Financial intermediation	1,655,277	23,912	1,038,421	-	2,717,610
Real estate activities	-	-	41,543	-	41,543
Consulting, scientific and technical activities	220,367	365	-	-	220,732
Administrative and support services activities	-	12,779	-	-	12,779
Public sector	111,833	-	-	-	111,833
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	781	7,265	1	8,047
Other international activities	-	8	850	-	858
	2,913,550	48,985	1,088,079	3,722	4,054,336
Government and Public securities	6,351,352	-	1,368,667	-	7,720,019
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	9,264,902	48,985	2,456,746	-	11,770,633

The Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries where the Group operates, which includes fixed income securities.

24. HEDGING DERIVATIVES

This balance is analysed, by hedging instruments, as follows:

	31 March 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Swaps	141,704	140,827	234,345	164,438
Others	-	-	-	12,899
	141,704	140,827	234,345	177,337

25. INVESTMENTS IN ASSOCIATED COMPANIES

This balance is analysed as follows:

	31 March 2018	31 December 2017
Portuguese credit institutions	37,081	35,249
Foreign credit institutions	274,576	331,617
Other Portuguese companies	251,624	284,611
Other foreign companies	21,632	21,897
	584,913	673,374
Impairment	(86,108)	(102,012)
	498,805	571,362

The balance Investments in associated companies is analysed as follows:

	31 March 2018			31 December 2017	
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	218,879	-	-	218,879	252,577
Banco Millennium Atlântico, S.A.	123,029	117,386	(68,097)	172,318	212,797
Unicre - Instituição Financeira de Crédito, S.A.	29,645	7,436	-	37,081	35,249
Banque BCP, S.A.S.	34,161	-	-	34,161	34,819
SIBS, S.G.P.S., S.A.	24,640	-	-	24,640	23,954
Mundotêxtil - Indústrias Têxteis, S.A.	6,198	-	-	6,198	6,198
Webspectator Corporation	86	18,011	(18,011)	86	87
Others	4,576	866	-	5,442	5,681
	441,214	143,699	(86,108)	498,805	571,362

These investments correspond to unquoted companies. According to the accounting policy described in note 1 b), these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 49.

26. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

	31 March 2018			31 December 2017		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,784,008	(235,058)	1,548,950	1,799,228	(234,840)	1,564,388
Assets belong to investments funds and real estate companies	545,951	(64,079)	481,872	536,911	(56,552)	480,359
Assets for own use (closed branches)	65,242	(14,306)	50,936	67,092	(14,886)	52,206
Equipment and other	47,622	(15,277)	32,345	48,045	(11,877)	36,168
Other assets	30,622	-	30,622	31,446	-	31,446
	2,473,445	(328,720)	2,144,725	2,482,722	(318,155)	2,164,567

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial auction following the resolution of credit agreements to customers being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The Group requests, regularly, to the Bank of Portugal, following the Article 114º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 40,891,000 (31 December 2017: Euros 77,152,000), of which Euros 7,592,000 (31 December 2017: Euros 7,079,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 4,989,000 (31 December 2017: Euros 4,832,000), which was calculated taking into account the value of the respective contracts.

27. INVESTMENT PROPERTY

The balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

28. OTHER TANGIBLE ASSETS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Real estate	823,374	830,989
Equipment		
Furniture	83,189	83,202
Machinery	44,813	45,279
Computer equipment	297,941	300,310
Interior installations	142,057	140,628
Motor vehicles	30,784	30,597
Security equipment	70,501	70,960
Other equipment	31,263	31,394
Work in progress	17,089	20,288
Other tangible assets	217	230
	1,541,228	1,553,877
Accumulated depreciation		
Charge for the period (note 11)	(10,754)	(41,685)
Charge for the previous periods	(1,048,884)	(1,021,769)
	(1,059,638)	(1,063,454)
	481,590	490,423

As at 31 March 2018, the balance Real Estate includes the amount of Euros 166,601,000 (31 December 2017: Euros 166,601,000) related to real estate held by the Group's real estate investment funds.

29. GOODWILL AND INTANGIBLE ASSETS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	114,111	115,094
Real estate and mortgage credit	40,859	40,859
Others	39,245	20,976
	194,215	176,929
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(16,473)	(16,473)
	(57,332)	(57,332)
	136,883	119,597
Intangible assets		
Software	121,368	122,124
Other intangible assets	57,508	56,731
	178,876	178,855
Accumulated amortization		
Charge for the period (note 11)	(3,446)	(11,897)
Charge for the previous periods	(132,538)	(122,149)
	(135,984)	(134,046)
	42,892	44,809
	179,775	164,406

30. INCOME TAX

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)						
	31 March 2018			31 December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	976,535	-	976,535	976,535	-	976,535
Employee benefits	838,769	-	838,769	838,769	-	838,769
	1,815,304	-	1,815,304	1,815,304	-	1,815,304
Deferred taxes depending on the future profits						
Impairment losses	1,003,542	(253,019)	750,523	1,001,097	(50,303)	950,794
Tax losses carried forward	321,208	-	321,208	321,774	-	321,774
Employee benefits	30,972	(1,786)	29,186	32,026	(1,804)	30,222
Financial assets at fair value through other comprehensive income	308,289	(300,518)	7,771	33,531	(26,461)	7,070
Derivatives	-	(6,564)	(6,564)	-	(6,821)	(6,821)
Intangible assets	39	-	39	39	-	39
Other tangible assets	9,977	(3,283)	6,694	9,827	(3,409)	6,418
Others	86,194	(58,946)	27,248	26,344	(19,407)	6,937
	1,760,221	(624,116)	1,136,105	1,424,638	(108,205)	1,316,433
Total deferred taxes	3,575,525	(624,116)	2,951,409	3,239,942	(108,205)	3,131,737
Offset between deferred tax assets and deferred tax liabilities	(618,588)	618,588	-	(102,175)	102,175	-
Net deferred taxes	2,956,937	(5,528)	2,951,409	3,137,767	(6,030)	3,131,737

(a) Special Regime applicable to deferred tax assets

SPECIAL REGIME APPLICABLE TO DEFERRED TAX ASSETS

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of August 26, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015 and the deferred tax assets that are recorded in the annual accounts of the taxpayer to the last period prior to that date and the taxation of the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not apply to expenses and negative equity changes recorded in the tax periods beginning on or after 1 January 2016, or to tax assets associated with them.

The Law no. 61/2014, of 26 August, provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 10 years after the date of its creation, and the issuing bank shall deposit in the name of the State the amount of the price corresponding to all the rights issued, within 3 months of date of the confirmation of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate for Banco Comercial Português, S.A. is analysed as follows:

Description	31 March 2018	31 December 2017
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000 (a)	9%	7%

(a) Law 114/2017, dated 29 December (State Budget Law for 2018) establishes the increase of the state tax rate for the portion of the taxable income above Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018.

The tax applicable to deferred taxes related to tax losses of the Bank is 21% (31 December 2017: 21%).

The average deferred tax rate associated with temporary differences of the Banco Comercial Português, S.A. is 31.30% (31 December 2017: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 24.24% in Switzerland.

The reporting period of tax losses in Portugal is 5 years for the losses of 2012, 2013, 2017 and 2018 and 12 years for the losses of 2014, 2015 and 2016. In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

In 2016, Banco Comercial Português, S.A. opted for the Special Regime for Taxation of Groups of Companies (RETGS).

The balance of Deferred tax assets not depending on the future profits (covered by the scheme approved by Law no. 61/2014, of 26 August), include the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to specific credit impairment losses registered up to 31 December 2014.

The deferred income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

Maturity	(Thousands of euros)	
	31 March 2018	31 December 2017
2018	1,296	1,870
2019-2025	120	112
2026	80,758	80,758
2028 and following	239,034	239,034
	321,208	321,774

Following the publication of the Notice of the Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016, began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95.

The Regulatory Decree No. 5/2016, of November 18, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purpose of calculating the taxable profit in 2016. This Decree declares that Bank of Portugal Notice No. 3/95 (Notice that was relevant to the determination of provisions for credit in the financial statements presented in the NCA basis) should be considered for the purposes of calculating the maximum loss limits for impairment losses accepted for tax purposes in 2016. This methodology was also applied for the treatment of the transition adjustments related to credit impairment of entities that previously presented their financial statements on an NCA basis.

This Regulatory Decree includes a transitional rule that provides for the possibility of the positive difference between the value of the provisions for credit created on 1 January 2016 under the Notice of Bank of Portugal No. 3/95 and the impairment losses recorded on 1 January 2016 referring to the same credits, will be considered in the calculation of the taxable income of 2016 only in the part that exceeds the tax losses generated in periods of taxation started on or after 1 January 2012 and not used. The Bank opted to apply this transitional standard.

The Regulatory Decree No. 11/2017, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purposes of calculating taxable income in 2017, establishing that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017, similar to the regime for 2016.

As at 1 January 2018, impairment losses on the loan portfolio, guarantees provided and other operations of a similar nature are now calculated in accordance with the requirements of the International Financial Reporting Standard (IFRS) 9 - Financial instruments.

In the absence of specific rules regarding the tax regime for credit impairment and guarantees for the taxation periods beginning on or after 1 January 2018, in the estimate of taxable profit for the period was considered the maintenance of the tax rules in force in 2017, which stipulate that Bank of Portugal Notice No. 3/95 should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes.

ANALYSIS OF THE RECOVERABILITY OF DEFERRED TAX ASSETS

In accordance with the accounting policy 1 ad) ii), and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried out considering the respective financial statements prepared under the budget process for 2018 and which support future taxable income for each Group's entity considering the macroeconomic and competitive environment, at the same time that incorporate the Group's strategic priorities.

For the purpose of estimating taxable profits for the periods 2018 and following, the following main assumptions were considered:

- In the absence of specific rules regarding the tax regime for credit impairment and guarantees for taxation periods beginning on or after 1 January 2018, the tax rules that were in force in 2015, 2016 and 2017 were considered and of Decree-Laws published at the end of each of the referred years established that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes;
- The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;
- The deductions related to employee benefits are projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

In addition, as part of the analysis of the recoverability of deferred tax assets, the Bank prepared a sensitivity analysis that considered the possibility of approving a document with changes to the tax treatment of impairment losses for credit and guarantees, in the same proposal for amendment to the State Budget Law Proposal for 2018. This proposal provided for modifications to Articles 28-A, 28-C and 39 of the IRC Code, in order to approximate fiscal rules and accounting rules and introduced a transition period of 19 years with increasing percentages for the tax deductibility of losses due to credit impairment and guarantees not accepted by tax until 31 December 2017 and which became deductible under the envisaged changes.

According to this sensitivity analysis, the Bank also concluded the recoverability of all deferred tax assets recorded as at 31 March 2018.

The projections made take into consideration, in addition to the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are broadly consistent with the Reduction Plan of Non-Performing Assets 2018-2020 sent it to the supervisory entity in March 2018, underlining:

- Improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;
- Evolution of the ratio loans and advances over the balance sheet resources from customer by approximately 100% in Portugal;
- Decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, consubstantiating a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2023) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula.
- Control of the operating expenses, notwithstanding the investments planned by the Bank in the context of the expected deepening of the digitization and expansion of its commercial activities;
- Positive net income, projecting the favourable evolution of the ROE and maintaining of the CET1 ratio fully implemented at levels appropriate to the requirements and benchmarks. From 2024 onwards, it is estimated an annual growth of the Net income before income taxes, which reflects a partial convergence to the expected level of ROE stabilized term term.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 31 March 2018.

It is now present the sensitivity of the analysis of the recoverability of deferred tax assets to the estimate of income before income taxes: If there was a 5% reduction / increase in estimated income before income taxes in all years of projections from 2018 to 2028, the deferred tax assets would have a reduction / increase of about Euros 55 million / Euros 67 million.

In accordance with this assessment, the amount of unrecognised deferred tax, by year of expiration, is as follows:

(Thousands of euros)		
	31 March 2018	31 December 2017
Tax losses carried forward		
2017	-	2,258
2018	1,830	1,595
2019-2025	140,587	1,772
2026	133,276	132,901
2027 and following	279,888	279,887
	555,581	418,413

The impact of income taxes in Net income and in other captions of Group's equity, as at 31 March 2018, is analysed as follows:

(Thousands of euros)			
	31 March 2018		
	Net income for the period	Reserves and retained earnings	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	48,834	(48,834)	-
	48,834	(48,834)	-
Deferred taxes depending on the future profits			
Impairment losses	(20,021)	(179,777)	(473)
Tax losses carried forward	(7,249)	6,688	(5)
Employee benefits	(184)	(821)	(31)
Financial assets at fair value through other comprehensive income	(10,076)	4,233	6,544
Derivatives	201	-	56
Other tangible assets	250	32	(6)
Others	(37,943)	58,378	(124)
	(75,022)	(111,267)	5,961
	(26,188)	(160,101)	5,961
Current taxes			
Actual period	(23,128)	-	-
Correction of previous periods	1	-	-
	(23,127)	-	-
	(49,315)	(160,101)	5,961

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 31 March 2017, is analysed as follows:

(Thousands of euros)			
31 March 2017			
	Net income / (loss) for the period	Reserves and retained earnings	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	(1,260)	-	-
Employee benefits	(9,142)	(12)	-
	(10,402)	(12)	-
Deferred taxes depending on the future profits			
Impairment losses	24,336	5,850	(5,088)
Tax losses carried forward	(9,500)	8,081	676
Employee benefits	405	(1,454)	333
Financial assets at fair value through other comprehensive income	-	(5,323)	(3,577)
Derivatives	(35,148)	76,233	(1,410)
Other tangible assets	172	(272)	318
Others	38,959	(83,665)	9,062
	19,224	(550)	314
	8,822	(562)	314
Current taxes			
Actual period	(28,642)	-	-
Correction of previous periods	714	-	-
	(27,928)	-	-
	(19,106)	(562)	314

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Net income / (loss) before income taxes	161,825	92,526
Current tax rate (%)	31.5%	29.5%
Expected tax	(50,975)	(27,295)
Non-deductible impairment	(20,772)	(4,374)
Contribution to the banking sector	(4,857)	-
Results of companies consolidated by the equity method	5,139	5,790
Other accruals for the purpose of calculating the taxable income	2,673	(1,484)
Employees' benefits	1,028	-
Effect of difference of rate tax and deferred tax not recognised previously	19,297	7,767
Correction of previous periods	(330)	1,109
(Autonomous tax) / tax credits	(518)	(619)
Total	(49,315)	(19,106)
Effective rate	30.47%	20.65%

32. OTHER ASSETS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Deposit account applications	114,825	136,255
Associated companies	42,294	579
Subsidies receivables	5,062	3,794
Prepaid expenses	36,319	31,063
Debtors for futures and options transactions	117,550	97,830
Debtors		
Residents		
Insurance activity	2,731	1,832
Advances to suppliers	1,077	887
SIBS	4,269	7,136
Prosecution cases / agreements with the Bank	12,315	12,126
Receivables from real estate, transfers of assets and other securities	27,236	31,012
Others	49,074	86,780
Non-residents	30,079	28,904
Receivable dividends	33,810	-
Interest and other amounts receivable	47,079	41,119
Amounts receivable on trading activity	82,537	108,410
Gold and other precious metals	3,723	3,639
Other financial investments	165	165
Other recoverable tax	23,428	24,693
Artistic patrimony	28,847	28,845
Capital supplementary contributions	8,283	8,318
Reinsurance technical provision	6,452	12,930
Obligations with post-employment benefits	120,040	116,782
Capital supplies	222,641	221,055
Amounts due for collection	31,285	36,636
Amounts due from customers	214,510	130,954
Sundry assets	93,580	162,926
	1,359,211	1,334,670
Impairment for other assets	(284,059)	(282,646)
	1,075,152	1,052,024

The changes occurred in impairment for other assets are analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Balance on 1 January	282,646	267,389
Other transfers	54,707	-
Charge for the period	2,694	17,063
Reversals for the period	(1,029)	(303)
Amounts charged-off	(54,841)	(419)
Exchange rate differences	(118)	44
Balance on 31 March	284,059	283,774

32. RESOURCES FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Resources and other financing from Central Banks		
Bank of Portugal	3,973,962	3,969,732
Central Banks abroad	164,552	172,226
	4,138,514	4,141,958
Resources from credit institutions in Portugal		
Very short-term deposits	-	19,993
Sight deposits	85,872	104,155
Term Deposits	114,774	89,247
Loans obtained	1,091	1,095
Other resources	1,851	1,569
	203,588	216,059
Resources from credit institutions abroad		
Very short-term deposits	-	83
Sight deposits	132,381	121,208
Term Deposits	431,816	454,713
Loans obtained	1,736,062	1,715,246
Sales operations with repurchase agreement	776,718	827,913
Other resources	8,005	10,177
	3,084,982	3,129,340
	7,427,084	7,487,357

33. RESOURCES FROM CUSTOMERS AND OTHER LOANS

This balance is analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Deposits from customers:		
Repayable on demand	26,578,703	25,447,443
Term deposits	19,318,745	19,310,419
Saving accounts	3,165,256	3,016,883
Deposits at fair value through profit and loss	2,854,729	2,902,392
Treasury bills and other assets sold under repurchase agreement	125,682	129,764
Cheques and orders to pay	337,856	370,295
Others	8,859	10,621
	52,389,830	51,187,817

34. DEBT SECURITIES ISSUED

This balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Debt securities at amortized cost		
Bonds	602,668	709,225
Covered bonds	993,100	992,725
MTNs	49,651	20,365
Securizations	328,095	338,011
	1,973,514	2,060,326
Accruals	9,142	6,213
	1,982,656	2,066,539
Debt securities at fair value through profit and loss		
Bonds	7,337	13,368
MTNs	159,152	160,466
	166,489	173,834
Accruals	5,060	3,499
	171,549	177,333
Certificates at fair value through profit and loss	748,737	763,919
	2,902,942	3,007,791

35. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Short selling securities	25,717	-
Trading derivatives (note 23):		
Swaps	366,547	377,553
Options	3,689	2,385
Embedded derivatives	8,213	10,274
Forwards	3,977	6,334
Others	508	2,555
	382,934	399,101
	408,651	399,101

36. PROVISIONS

This balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Provision for guarantees and other commitments	143,084	130,875
Technical provision for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premium	9,654	8,627
Life insurance	25,591	27,531
For participation in profit and loss	6,607	3,863
Other technical provisions	16,820	18,013
Other provisions for liabilities and charges	138,615	135,249
	340,371	324,158

Changes in Provision for guarantees and other commitments are analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Balance on 1 January	130,875	128,056
Transfers resulting from the application of IFRS 9	13,724	-
Other transfers	(2,124)	-
Charge for the period (note 14)	10,658	6,872
Reversals for the period (note 14)	(9,814)	(6,047)
Exchange rate differences	(235)	284
Balance on 31 March	143,084	129,165

Changes in Other provisions for liabilities and charges are analysed as follows:

	(Thousands of euros)	
	31 March 2018	31 March 2017
Balance on 1 January	135,249	131,506
Transfers resulting from changes in the Group's structure	-	3
Transfers resulting from the application of IFRS 9	2,887	-
Other transfers	(58)	-
Charge for the period (note 14)	9,069	7,441
Reversals for the period (note 14)	(10)	(239)
Amounts charged-off	(8,147)	(1,640)
Exchange rate differences	(375)	325
Balance on 31 March	138,615	137,396

37. SUBORDINATED DEBT

This balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Bonds		
Non Perpetual	1,135,674	1,133,427
Perpetual	27,093	27,092
	1,162,767	1,160,519
Accruals	16,586	8,543
	1,179,353	1,169,062

As at 31 March 2018, the subordinated debt issues are analysed as follows:

(Thousands of euros)						
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value
Non Perpetual Bonds						
Banco Comercial Português:						
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018 (i)	See reference (viii)	52,420	52,420	-
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	-
Bcp Ob Sub Jun 2020 - Emtm 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	-
Bcp Ob Sub Aug 2020 - Emtm 739	August, 2010	August, 2020 (iv)	See reference (x)	9,263	9,263	-
Bcp Ob Sub Mar 2021 - Emtm 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	68,273
Bcp Ob Sub Apr 2021 - Emtm 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	38,496
Bcp Ob Sub 3S Apr 2021 - Emtm 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	21,408
Bcp Sub 11/25.08.2019 - Emtm 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,786	2,104
Bcp Subord Sep 2019 - Emtm 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	55,606	14,944
Bcp Subord Nov 2019 - Emtm 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	44,788	12,844
Mbcp Subord Dec 2019 - Emtm 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	30,399	9,000
Mbcp Subord Jan 2020 - Emtm 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,775	5,001
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	25,002	8,791
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,962	20,485
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,925	10,167
Bcp Subordinadas Jul 20-Emtm 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,779	11,842
Bcp Fix Rate Reset Sub Notes-Emtm 854	December, 2017	December, 2027	See reference (xi)	300,000	298,522	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.81% + 2.3%	166,208	166,208	99,835
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,248	77,417	16,190
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,135,674	639,380
Perpetual Bonds						
Banco Comercial Português:						
Obrigações Caixa Perpétuas						
Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xii)	85	72	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M+0.9%	22,035	22,035	22,035
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M+2.25%	4,986	4,986	4,986
					27,093	27,021
Accruals					16,586	-
					1,179,353	666,401

References:

Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018; (vii) March 2018.

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%; (xi) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (xii) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%.

As at 31 December 2017, the subordinated debt issues are analysed as follows:

(Thousands of euros)						
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value
Non Perpetual Bonds						
Banco Comercial Português:						
MBCP Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018 (i)	See reference (viii)	52,420	52,420	2,549
MBCP Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	868
BCP Ob Sub jun 2020-EMTN 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	1,470
BCP Ob Sub ago 2020-EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	294
BCP Ob Sub mar 2021-EMTN 804	March, 2011	março, 2021	Euribor 3M + 3.75%	114,000	114,000	73,973
BCP Ob Sub abr 2021-EMTN 809	April, 2011	abril, 2021	Euribor 3M + 3.75%	64,100	64,100	41,701
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	abril, 2021	Euribor 3M + 3.75%	35,000	35,000	23,158
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	agosto, 2019	Fixed rate 6.383%	7,500	7,832	2,479
BCP Subord set 2019-EMTN 826	October, 2011	setembro, 2019	Fixed rate 9.31%	50,000	55,251	17,444
BCP Subord nov 2019-EMTN 830	November, 2011	novembro, 2019	Fixed rate 8.519%	40,000	44,338	14,844
MBCP Subord dez 2019-EMTN 833	December, 2011	dezembro, 2019	Fixed rate 7.15%	26,600	29,945	10,330
MBCP Subord jan 2020-EMTN 834	January, 2012	janeiro, 2020	Fixed rate 7.01%	14,000	15,504	5,701
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	fevereiro, 2020	Fixed rate 9%	23,000	24,722	9,941
BCP Subord abr 2020-Vm Sr 187	April, 2012	abril, 2020	Fixed rate 9.15%	51,000	54,412	23,035
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	abril, 2020	Fixed rate 9%	25,000	26,632	11,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	julho, 2020	Fixed rate 9%	26,250	27,465	13,154
Bcp Fix Rate Reset Sub Notes-EmtN 854	December, 2017	December, 2027	Fixed rate 9%	300,000	298,583	300,000
Bank Millennium:						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.81% + 2,3%	167,641	167,639	66,145
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,254	76,584	17,312
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,133,427	635,815
Perpetual Bonds						
Banco Comercial Português:						
Obrigações Caixa Perpétuas						
Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	85	71	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.9%	22,035	22,035	22,035
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.25%	4,986	4,986	4,986
					27,092	27,021
Accruals					8,543	-
					1,169,062	662,836

References:

Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018; (vii) March 2018.

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%; (xi) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (xii) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%.

38. OTHER LIABILITIES

This balance is analysed as follows:

	(Thousands of euros)
	31 march 2018
	31 December 2017
Creditors:	
Suppliers	33,055
From factoring operations	13,846
Deposit account applications and others applications	52,231
Associated companies	66
For futures and options transactions	13,093
For direct insurance and reinsurance operations	2,957
Obligations not covered by the Group Pension Fund - amounts payable by the Group	20,887
Other creditors	
Residents	43,374
Non-residents	38,877
Holiday pay and subsidies	44,904
Interests and other amounts payable	89,974
Operations to be settled - foreign, transfers and deposits	328,915
Amounts payable on trading activity	21,665
Other administrative costs payable	4,527
Deferred income	66,610
Loans insurance received and to amortized	-
Public sector	32,744
Other liabilities	233,601
	1,041,326
	988,493

39. SHARE CAPITAL, PREFERENCE SHARES AND OTHER EQUITY INSTRUMENTS

The Bank's share capital, as at 31 March 2018, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

The share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 March 2018, the balance preference shares amounts to Euros 59,910,000.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

- 439,684 preference shares with par value of Euros 100 each, perpetual without voting rights in the total amount of Euros 43,968,400, issued on 9 June 2004.
- 15,942 preference shares with par value of Euros 1,000 each, perpetual without voting rights, in the total amount of Euros 15,942,000, issued on 13 October 2005.

The balance Other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

40. LEGAL AND STATUTORY RESERVES

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. As at 31 March 2018, the amount of Legal reserves amounts to Euros 222,806,000 (31 December 2017: Euros 22,806,000).

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity and are recorded in Other reserves and retained earnings in the Bank's consolidated financial statements (note 42).

The amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2017: Euros 30,000,000) and correspond to a reserve to steady dividends that, according to the bank's by-laws, can be distributed.

41. TREASURY SHARES

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares	Other treasury stock	Total
31 March 2018			
Net book value (Euros '000)	88	208	296
Number of securities	323,738 (*)		
Average book value (Euros)	0.27		
31 December 2017			
Net book value (Euros '000)	88	205	293
Number of securities	323,738 (*)		
Average book value (Euros)	0.27		

(*) As at 31 March 2018, Banco Comercial Português, S.A. does not held treasury shares and does not performed any purchases or sales of own shares during the period. However, this balance includes 323,738 shares (31 December 2017: 323,738 shares) owned by clients. Considering the fact that for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, written off from equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

42. FAIR VALUE RESERVES AND RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Fair value reserves		
Financial assets at fair value through other comprehensive income (note 23)		
Potential gains and losses recognised in fair value reserves		
Debt instruments (*)	57,834	27,327
Equity instruments	(82,111)	29,556
Other financial assets at amortised cost (**)	(1,910)	(3,049)
Of associated companies and others	31,952	29,199
Cash-flow hedge	15,410	12,985
From financial liabilities associated to changes in own credit risk	2,471	-
	23,646	96,018
Tax		
Financial assets at fair value through other comprehensive income		
Potential gains and losses recognised in fair value reserves		
Debt instruments	(10,733)	(830)
Equity instruments	18,251	(7,545)
Other financial assets at amortised cost	-	141
Cash-flow hedge	(6,273)	(5,694)
From financial liabilities associated to changes in own credit risk	(773)	-
	472	(13,928)
	24,118	82,090
Reserves and retained earnings		
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(30,379)	(26,733)
BIM - Banco Internacional de Moçambique, S.A.	(170,384)	(151,710)
Banco Millennium Atlântico, S.A.	(61,523)	(10,841)
Others	5,119	5,165
	(257,167)	(184,119)
Actuarial losses	(2,591,726)	(2,590,817)
Application of IAS 29		
Effect on BMA equity	36,429	28,428
Others	(4,524)	(3,965)
	31,905	24,463
Other reserves and retained earnings	2,543,703	2,630,253
	(273,285)	(120,220)

(*) Includes the effects arising from the application of hedge accounting.

(**) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The fair value reserves correspond to the accumulated fair value changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

43. NON-CONTROLLING INTERESTS

This balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Exchange differences arising on consolidation	(104,502)	(87,009)
Actuarial losses (net of taxes)	256	256
Fair value reserves		
Debt instruments	11,989	6,214
Equity instruments	2,984	850
Cash-flow hedge	(11,741)	(13,199)
Other	82	88
Deferred taxes		
Debt instruments	(2,459)	(1,427)
Equity instruments	(567)	(161)
Cash-flow hedge	2,231	2,508
	(101,727)	(91,880)
Other reserves and retained earnings	1,157,928	1,190,801
	1,056,201	1,098,921

The balance Non-controlling interests is analysed as follows:

	(Thousands of euros)			
	Balance Sheet		Income Statement	
	31 march 2018	31 December 2017	31 march 2018	31 December 2017
Bank Millennium, S.A.	916,098	928,855	18,576	16,275
BIM - Banco Internacional de Moçambique, SA (*)	125,634	137,958	8,414	7,070
Other subsidiaries	14,469	32,108	(69)	(38)
	1,056,201	1,098,921	26,921	23,307

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, S.A.R.L.

44. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

	(Thousands of euros)	
	31 march 2018	31 December 2017
Guarantees granted		
Guarantees	4,202,935	3,913,735
Stand-by letter of credit	63,130	60,991
Open documentary credits	366,054	375,384
Bails and indemnities	141,190	191,613
	4,773,309	4,541,723
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	47,460	17,322
Irrevocable credit lines	2,731,078	3,239,315
Securities subscription	104,176	106,419
Other irrevocable commitments	351,598	272,749
Revocable commitments		
Revocable credit lines	3,971,184	4,027,812
Bank overdraft facilities	496,869	612,248
Other revocable commitments	50,649	50,679
	7,753,014	8,326,544
Guarantees received	24,799,072	26,084,077
Commitments from third parties	10,004,357	11,031,241
Securities and other items held for safekeeping	69,645,214	67,670,271
Securities and other items held under custody by the Securities Depository Authority	66,202,028	62,485,697
Other off balance sheet accounts	127,527,463	129,631,680

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 36).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

45. CONSOLIDATE BALANCE SHEET AND INCOME STATEMENT BY OPERATIONAL SEGMENTS

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

SEGMENTS DESCRIPTION

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets of recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário.

Portugal activity includes: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network where the strategic approach is to target "Mass Market" customers, who appreciate a value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of Customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies network that covers the financial needs of companies with an annual turnover between Euros 2,500,000 and Euros 50,000,000, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing;
- Corporate and Large Corporates networks in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euros 50,000,000, providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, capital market transactions and analysis and financing structuring in the medium to long term, in particular with regard to Project and Structured Finance;
- Treasury and Markets International Division, in particular the area of coordination of business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1,000,000);
- Real Estate Business Division, which ensures integrated and specialized management of real estate business of the Group; and
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for purposes of geographical segments, comprises the Private Banking network in Portugal. For purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

Following the process for obtaining authorisation from the European Commission (EC) to the State aid, business portfolios were identified that the Bank should gradually disinvest/demobilise, ceasing grant new credit. This demobilisation is subject to a framework which dominant criterion is the capital impact optimisation, in particular through the minimisation of expected losses. In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (PNNC).

Following the process of obtaining authorization from the Executive Commission for State aid, the Bank entered into an agreement with the European Commission's Directorate-General for Competition (DG Comp) with a view to gradually divesting a set of portfolios. which were identified as a segment called "Non-Core Business Portfolio (PNNC)" for the preparation of the consolidated balance sheet and statement of operations by operating segments until 31 December 2017. Once this commitment was formally completed at the end of 2017, the operations included in PNNC, as well as the results associated with them, were distributed to the original business segments, determining the reassessment of allocation criteria. The information with reference to 31 March 2017 has been restated in order to ensure its comparability with the current situation.

All other businesses not previously discriminated are allocated to the segment Other (Portugal) and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Foreign Business includes:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The segment Other also includes the contribution of the associate in Angola.

B. Business Segments

Foreign Business segment, indicated within the business segment reporting, comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which are considered in Private Banking segment.

BUSINESS SEGMENTS ACTIVITY

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, including the impact from capital allocation and the balancing process of each entity, both at the balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, as at 31 March 2018 and 2017 the weighted risk, as well as the capital allocated to segments, is based on Basel III methodology, in accordance with the CRD IV/CRR. The allocation of capital to each segment on those dates resulted from the application of a target capital ratio to the risks managed by each of the segments, reflecting the application of the referred Basel III methodology. The balancing of the several operations is ensured by internal transfers of funds, but does not determine changes at the consolidated level.

The commissions and other net income, as well as the operating costs calculated for each of the business areas, are based on the amounts accounted for directly in the respective cost centers, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. As an example, for the operational costs, the first set includes costs recorded for telephones, travel, travelling accommodation and representation expenses and to advisory services, and included in the second set of costs for correspondence, water and electricity and with rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), and with the Organization of the Group's business areas in force on 31 March 2018. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity so susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 March 2018, the net contribution of the major operational segments, for the income statement and balance sheet, is analysed as follows:

	(Thousands of Euros)						
	Commercial banking			Companies, Corporate and Investment banking	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business ⁽¹⁾	Total	in Portugal			
INCOME STATEMENT							
Interest and similar income	116,603	218,864	335,467	87,722	9,311	40,598	473,098
Interest expense and similar charges	(11,834)	(69,812)	(81,646)	(22,231)	(3,467)	(20,949)	(128,293)
Net interest income	104,769	149,052	253,821	65,491	5,844	19,649	344,805
Commissions and other income	98,234	67,285	165,519	38,865	16,324	235	220,943
Commissions and other costs	(9,361)	(45,193)	(54,554)	(6,473)	(1,996)	(14,019)	(77,042)
Net commissions and other income	88,873	22,092	110,965	32,392	14,328	(13,784)	143,901
Net gains arising from trading activity	1,989	14,706	16,695	415	854	16,478	34,442
Share of profit of associates under the equity method	-	7,541	7,541	-	-	12,257	19,798
Gains / (losses) arising from the sale of subsidiaries and other assets	-	511	511	-	-	(5,654)	(5,143)
Net operating revenue	195,631	193,902	389,533	98,298	21,026	28,946	537,803
Operating expenses	115,440	86,305	201,745	30,547	10,286	3,460	246,038
Impairment for credit and financial assets	(3,645)	(17,696)	(21,341)	(98,684)	1,830	14,678	(103,517)
Other impairments and provisions	-	(4,874)	(4,874)	7	-	(21,556)	(26,423)
Net income / (loss) before income tax	76,546	85,027	161,573	(30,926)	12,570	18,608	161,825
Income tax	(23,834)	(21,015)	(44,849)	10,062	(3,625)	(10,903)	(49,315)
Net income / (loss) for the period	52,712	64,012	116,724	(20,864)	8,945	7,705	112,510
Non-controlling interests	-	(26,990)	(26,990)	-	-	69	(26,921)
Net income / (loss) for the period attributable to Bank's Shareholders	52,712	37,022	89,734	(20,864)	8,945	7,774	85,589
BALANCE SHEET							
Cash and Loans and advances to credit institutions	7,269,102	981,205	8,250,307	195,759	2,574,054	(7,635,758)	3,384,362
Loans and advances to customers	20,749,350	12,187,208	32,936,558	13,797,683	559,901	218,021	47,512,163
Financial assets ⁽²⁾	21,135	5,440,853	5,461,988	-	1,565	8,939,540	14,403,093
Other assets ⁽³⁾	174,306	585,070	759,376	52,310	16,465	6,546,152	7,374,303
Total Assets	28,213,893	19,194,336	47,408,229	14,045,752	3,151,985	8,067,955	72,673,921
Resources from other credit institutions	1,032,137	1,438,095	2,470,232	4,821,398	337,414	(201,960)	7,427,084
Resources from customers	25,315,022	15,500,008	40,815,030	8,067,370	2,624,814	882,616	52,389,830
Debt securities issued	863,169	276,518	1,139,687	2,962	50,872	1,709,421	2,902,942
Other financial liabilities	-	105,193	105,193	-	1,499	1,622,139	1,728,831
Other liabilities	30,343	494,677	525,020	48,242	5,802	820,996	1,400,060
Total Liabilities	27,240,671	17,814,491	45,055,162	12,939,972	3,020,401	4,833,212	65,848,747
Equity and non-controlling interests	973,222	1,379,845	2,353,067	1,105,780	131,584	3,234,743	6,825,174
Total Liabilities, Equity and Non-controlling interests	28,213,893	19,194,336	47,408,229	14,045,752	3,151,985	8,067,955	72,673,921
Number of employees	4,688	8,476	13,164	732	221	1,593	15,710

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;

(2) Includes credit at amortised cost net of impairment and credit at fair value through profit or loss.

(3) Includes financial assets held for trading, financial assets not held for trading mandatorily at fair value through profit or loss, other financial assets held for trading at fair value through profit or loss, financial assets at fair value through other comprehensive income, other financial assets at amortized cost, assets with repurchase agreements and hedging derivatives.

As at 31 March 2017, the net contribution of the major operational segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business ⁽¹⁾	Total	in Portugal			
INCOME STATEMENT							
Interest and similar income	117,818	201,156	318,974	106,168	10,419	39,937	475,498
Interest expense and similar charges	(18,741)	(68,198)	(86,939)	(30,370)	(4,114)	(21,748)	(143,171)
Net interest income	99,077	132,958	232,035	75,798	6,305	18,189	332,327
Commissions and other income	90,657	64,202	154,859	39,407	12,925	976	208,167
Commissions and other costs	(8,633)	(40,287)	(48,920)	(6,459)	(1,738)	(6,970)	(64,087)
Net commissions and other income	82,024	23,915	105,939	32,948	11,187	(5,994)	144,080
Net gains arising from trading activity	3,745	19,263	23,008	676	(3,649)	16,340	36,375
Share of profit of associates under the equity method	-	7,617	7,617	-	-	12,011	19,628
Gains / (losses) arising from the sale of subsidiaries and other assets	-	1,846	1,846	-	-	(209)	1,637
Net operating revenue	184,846	185,599	370,445	109,422	13,843	40,337	534,047
Operating expenses	110,362	79,877	190,239	30,922	9,472	7,664	238,297
Impairment for credit and financial assets	(22,365)	(22,767)	(45,132)	(101,998)	484	(22,909)	(169,555)
Other impairments and provisions	-	2,433	2,433	104	-	(36,206)	(33,669)
Net income / (loss) before income tax	52,119	85,388	137,507	(23,394)	4,855	(26,442)	92,526
Income tax	(15,363)	(21,565)	(36,928)	7,214	(2,483)	13,091	(19,106)
Net income / (loss) for the period	36,756	63,823	100,579	(16,180)	2,372	(13,351)	73,420
Non-controlling interests	-	(23,345)	(23,345)	-	-	38	(23,307)
Net income / (loss) for the period attributable to Bank's Shareholders	36,756	40,478	77,234	(16,180)	2,372	(13,313)	50,113

As at 31 December 2017, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	7,127,614	674,263	7,801,877	306,599	2,419,315	(6,998,757)	3,529,034
Loans and advances to customers	20,776,882	12,226,228	33,003,110	13,527,270	580,336	522,776	47,633,492
Financial assets ⁽²⁾	21,172	5,391,786	5,412,958	-	2,183	7,742,920	13,158,061
Other assets	112,769	596,868	709,637	33,161	9,653	6,866,412	7,618,863
Total Assets	28,038,437	18,889,145	46,927,582	13,867,030	3,011,487	8,133,351	71,939,450
Resources from other credit institutions	1,143,583	1,492,783	2,636,366	4,641,705	339,950	(130,664)	7,487,357
Resources from customers	25,037,377	15,130,262	40,167,639	8,174,721	2,515,603	329,854	51,187,817
Debt securities issued	873,375	276,960	1,150,335	2,880	37,563	1,817,013	3,007,791
Other financial liabilities	-	86,081	86,081	-	2,020	1,657,399	1,745,500
Other liabilities	37,370	471,569	508,939	57,732	5,971	758,607	1,331,249
Total Liabilities	27,091,705	17,457,655	44,549,360	12,877,038	2,901,107	4,432,209	64,759,714
Equity and non-controlling interests	946,732	1,431,490	2,378,222	989,992	110,380	3,701,142	7,179,736
Total Liabilities, Equity and Non-controlling interests	28,038,437	18,889,145	46,927,582	13,867,030	3,011,487	8,133,351	71,939,450
Number of employees	4,731	8,461	13,192	741	217	1,577	15,727

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;

(2) Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

As at 31 March 2018, the net contribution of the major geographic segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)									
	Portugal					Poland	Mozambique	Other	Consolidated
	Companies, Corporate and								
	Retail banking	Investment banking	Private banking	Other	Total				
INCOME STATEMENT									
Interest and similar income	116,603	87,722	5,917	40,598	250,840	146,147	74,586	1,525	473,098
Interest expense and similar charges	(11,834)	(22,231)	(1,589)	(20,949)	(56,603)	(44,421)	(27,104)	(165)	(128,293)
Net interest income	104,769	65,491	4,328	19,649	194,237	101,726	47,482	1,360	344,805
Commissions and other income	98,234	38,865	8,595	235	145,929	52,543	14,742	7,729	220,943
Commissions and other costs	(9,361)	(6,473)	(362)	(14,019)	(30,215)	(37,890)	(7,302)	(1,635)	(77,042)
Net commissions and other income	88,873	32,392	8,233	(13,784)	115,714	14,653	7,440	6,094	143,901
Net gains arising from trading activity	1,989	415	68	16,478	18,950	12,643	2,064	785	34,442
Share of profit of associates									
under the equity method	-	-	-	12,257	12,257	-	-	7,541	19,798
Gains / (losses) arising from the sale									
of subsidiaries and other assets	-	-	-	(5,654)	(5,654)	473	38	-	(5,143)
Net operating revenue	195,631	98,298	12,629	28,946	335,504	129,495	57,024	15,780	537,803
Operating expenses	115,440	30,547	3,995	3,460	153,442	65,557	20,748	6,291	246,038
Impairment for credit									
and financial assets	(3,645)	(98,684)	1,230	14,678	(86,421)	(11,675)	(6,021)	600	(103,517)
Other impairments and provisions	-	7	-	(21,556)	(21,549)	(739)	490	(4,625)	(26,423)
Net income / (loss) before									
income tax	76,546	(30,926)	9,864	18,608	74,092	51,524	30,745	5,464	161,825
Income tax	(23,834)	10,062	(3,107)	(10,903)	(27,782)	(15,071)	(5,993)	(469)	(49,315)
Net income / (loss) for the period	52,712	(20,864)	6,757	7,705	46,310	36,453	24,752	4,995	112,510
Non-controlling interests	-	-	-	69	69	(18,190)	(8,376)	(424)	(26,921)
Net income / (loss) for the period									
attributable to Bank's Shareholders	52,712	(20,864)	6,757	7,774	46,379	18,263	16,376	4,571	85,589
BALANCE SHEET									
Cash and Loans and advances									
to credit institutions	7,269,102	195,759	1,636,821	(7,635,758)	1,465,924	790,581	405,612	722,245	3,384,362
Loans and advances to customers ⁽¹⁾	20,749,350	13,797,683	303,591	218,021	35,068,645	11,397,068	796,626	249,824	47,512,163
Financial assets ⁽²⁾	21,135	-	-	8,939,540	8,960,675	4,887,366	553,486	1,566	14,403,093
Other assets	174,306	52,310	11,523	6,546,152	6,784,291	258,680	151,996	179,336	7,374,303
Total Assets	28,213,893	14,045,752	1,951,935	8,067,955	52,279,535	17,333,695	1,907,720	1,152,971	72,673,921
Resources from other									
credit institutions	1,032,137	4,821,398	-	(201,960)	5,651,575	1,548,746	60,842	165,921	7,427,084
Resources from customers	25,315,022	8,067,370	1,834,614	882,616	36,099,622	14,121,278	1,378,730	790,200	52,389,830
Debt securities issued	863,169	2,962	50,872	1,709,421	2,626,424	276,518	-	-	2,902,942
Other financial liabilities	-	-	-	1,622,139	1,622,139	105,193	-	1,499	1,728,831
Other liabilities	30,343	48,242	788	820,996	900,369	355,733	138,943	5,015	1,400,060
Total Liabilities	27,240,671	12,939,972	1,886,274	4,833,212	46,900,129	16,407,468	1,578,515	962,635	65,848,747
Equity and non-controlling interests	973,222	1,105,780	65,661	3,234,743	5,379,406	926,227	329,205	190,336	6,825,174
Total Liabilities, Equity									
and non-controlling interests	28,213,893	14,045,752	1,951,935	8,067,955	52,279,535	17,333,695	1,907,720	1,152,971	72,673,921
Number of employees	4,688	732	142	1,593	7,155	5,848	2,628	79	15,711

(1) Includes credit at amortised cost net of impairment and credit at fair value through profit or loss.

(2) Includes financial assets held for trading, financial assets not held for trading mandatorily at fair value through profit or loss, other financial assets held for trading at fair value through profit or loss, financial assets at fair value through other comprehensive income, other financial assets at amortized cost, assets with repurchase agreements and hedging derivatives.

As at 31 March 2017, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)									
	Portugal					Poland	Mozambique	Other ⁽¹⁾	Consolidated
	Companies, Corporate and								
	Retail banking	Investment banking	Private banking	Other	Total				
INCOME STATEMENT									
Interest and similar income	117,818	106,168	6,718	39,937	270,641	133,794	69,518	1,545	475,498
Interest expense and similar charges	(18,741)	(30,370)	(2,133)	(21,748)	(72,992)	(44,601)	(25,544)	(34)	(143,171)
Net interest income	99,077	75,798	4,585	18,189	197,649	89,193	43,974	1,511	332,327
Commissions and other costs	90,657	39,407	5,307	976	136,347	48,492	15,710	7,618	208,167
Commissions and other costs	(8,633)	(6,459)	(366)	(6,970)	(22,428)	(33,546)	(6,741)	(1,372)	(64,087)
Net commissions and other income	82,024	32,948	4,941	(5,994)	113,919	14,946	8,969	6,246	144,080
Net gains arising from trading activity	3,745	676	104	16,340	20,865	12,299	2,378	833	36,375
Share of profit of associates under the equity method	-	-	-	12,011	12,011	-	-	7,617	19,628
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	(209)	(209)	1,804	42	-	1,637
Net operating revenue	184,846	109,422	9,630	40,337	344,235	118,242	55,363	16,207	534,047
Operating expenses	110,362	30,922	3,572	7,664	152,520	59,286	20,591	5,900	238,297
Impairment for credit and financial assets	(22,365)	(101,998)	660	(22,909)	(146,612)	(14,282)	(8,484)	(177)	(169,555)
Other impairments and provisions	-	104	-	(36,206)	(36,102)	(60)	2,493	-	(33,669)
Net income / (loss) before income tax	52,119	(23,394)	6,718	(26,442)	9,001	44,614	28,781	10,130	92,526
Income tax	(15,363)	7,214	(1,981)	13,091	2,961	(13,742)	(7,885)	(440)	(19,106)
Net income / (loss) for the period	36,756	(16,180)	4,737	(13,351)	11,962	30,872	20,896	9,690	73,420
Non-controlling interests	-	-	-	38	38	(15,405)	(7,067)	(873)	(23,307)
Net income / (loss) for the period attributable to Bank's Shareholders	36,756	(16,180)	4,737	(13,313)	12,000	15,467	13,829	8,817	50,113

As at 31 December 2017, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)									
BALANCE SHEET									
Cash and Loans and advances									
to credit institutions	7,127,614	306,599	1,526,711	(6,998,757)	1,962,167	559,047	424,966	582,854	3,529,034
Loans and advances to customers	20,776,882	13,527,270	304,302	522,776	35,131,230	11,354,379	871,850	276,033	47,633,492
Financial assets ⁽²⁾	21,172	-	-	7,742,920	7,764,092	4,899,703	492,082	2,184	13,158,061
Other assets	112,769	33,161	6,741	6,866,412	7,019,083	222,481	161,590	215,709	7,618,863
Total Assets	28,038,437	13,867,030	1,837,754	8,133,351	51,876,572	17,035,610	1,950,488	1,076,780	71,939,450
Resources from other									
credit institutions	1,143,583	4,641,705	-	(130,664)	5,654,624	1,646,767	91,879	94,087	7,487,357
Resources from customers	25,037,377	8,174,721	1,748,452	329,854	35,290,404	13,715,985	1,414,277	767,151	51,187,817
Debt securities issued	873,375	2,880	37,563	1,817,013	2,730,831	276,960	-	-	3,007,791
Other financial liabilities	-	-	-	1,657,399	1,657,399	86,081	-	2,020	1,745,500
Other liabilities	37,370	57,732	1,014	758,607	854,723	363,306	108,264	4,956	1,331,249
Total Liabilities	27,091,705	12,877,038	1,787,029	4,432,209	46,187,981	16,089,099	1,614,420	868,214	64,759,714
Equity and non-controlling interests	946,732	989,992	50,725	3,701,142	5,688,591	946,511	336,068	208,566	7,179,736
Total Liabilities, Equity and non-controlling interests	28,038,437	13,867,030	1,837,754	8,133,351	51,876,572	17,035,610	1,950,488	1,076,780	71,939,450
Number of employees	4,731	741	140	1,577	7,189	5,830	2,631	77	15,727

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;

(2) Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

RECONCILIATION OF NET INCOME OF REPORTABLE SEGMENTS WITH THE NET RESULT OF THE GROUP

	(Thousands of euros)	
	31 March 2018	31 March 2017
Net contribution:		
Retail banking in Portugal	52,712	36,756
Companies, Corporate and Investment banking	(20,864)	(16,180)
Private Banking	6,757	4,737
Foreign business (continuing operations)	66,200	61,458
Non-controlling interests (1)	(26,990)	(23,345)
	<u>77,815</u>	<u>63,426</u>
Amounts not allocated to segments:		
Interests of hybrid instruments	-	(6,343)
Net interest income of the bond portfolio	5,361	11,372
Recovery of interest on loans to customers	8,282	5,869
Foreign exchange activity	6,363	9,176
Gains / (losses) arising from sales of subsidiaries and other assets	(5,654)	(209)
Equity accounted earnings	12,257	12,011
Impairment and other provisions (2)	(6,878)	(59,115)
Operational costs (3)	(3,460)	(7,664)
Gains on sale of public debt	10,067	880
Taxes (4)	(10,903)	13,091
Others (5)	(7,661)	7,619
Total not allocated to segments	<u>7,774</u>	<u>(13,313)</u>
Consolidated net income	<u>85,589</u>	<u>50,113</u>

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.

(2) Includes provisions for property in kind and for funds specialized in the recovery of loans, administrative infractions, various contingencies and other unallocated to business segments.

(3) Corresponds to revenues/costs related to the impacts arising from the revision of the Collective Labour Agreement and to restructuring costs.

(4) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

(5) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

46. SOLVENCY

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No.6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's recapitalization process and not reimbursed, reserves and retained earnings and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements lasted until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

With the IFRS9 introduction the Bank has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

CRD IV/CRR establishes Pilar 1 capital requirements of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively. However, under the scope of SREP, European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2018, of 8.81% (CET1), 10.31% (Tier 1) and 12.31% (Total), including 2.25% of additional Pilar 2 requirements, 0,188% of O-SII and 1.875% of capital conservation buffer. The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

	(Thousands of euros)	
	31 March 2018	31 December 2017
Common equity tier 1 (CET1)		
Share capital	5,600,738	5,600,738
Share Premium	16,471	16,471
Ordinary own shares	(88)	(88)
Reserves and retained earnings	3,639	401,067
Minority interests eligible to CET1	445,317	564,042
Regulatory adjustments to CET1	(1,255,823)	(1,262,956)
	4,810,254	5,319,274
Tier 1		
Capital Instruments	2,192	4,130
Minority interests eligible to AT1	66,929	47,084
Regulatory adjustments	-	(51,214)
	4,879,375	5,319,274
Tier 2		
Subordinated debt	550,354	596,693
Minority interests eligible to CET1	139,140	146,229
Others	(58,800)	(130,345)
	630,694	612,577
Total own funds	5,510,069	5,931,851
RWA - Risk weighted assets		
Credit risk	30,369,567	35,366,357
Market risk	209,599	991,992
Operational risk	1,281,424	3,574,097
CVA	9,216,801	238,668
	41,077,391	40,171,113
Capital ratios		
CET1	11.7%	13.2%
Tier 1	11.9%	13.2%
Tier 2	1.5%	1.5%
	13.4%	14.8%

47. TRANSFERS OF ASSETS

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus its related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Other financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During the first quarter of 2018 and 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 March 2018, related to these operations are analysed as follows:

	(Thousands of euros)			
	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

As at 31 March 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 March 2018				Total
	Senior securities		Junior securities		
	Participation units * (note 23)	Participation units * (note 23)	Capital supplies (note 31)	Capital supplementary contributions (note 31)	
Fundo Recuperação Turismo FCR					
Gross value	241,245	-	31,857	-	273,102
Impairment	-	-	(31,857)	-	(31,857)
	241,245	-	-	-	241,245
Fundo Reestruturação Empresarial FCR					
Gross value	79,589	-	-	33,280	112,869
Impairment and other fair value adjustments	-	-	-	(33,280)	(33,280)
	79,589	-	-	-	79,589
FLIT-PTREL					
Gross value	257,805	-	38,154	2,939	298,898
Impairment	-	-	(38,154)	(2,939)	(41,093)
	257,805	-	-	-	257,805
Vallis Construction Sector Fund					
Gross value	-	-	-	-	-
Impairment	-	-	-	-	-
	-	-	-	-	-
Fundo Recuperação FCR					
Gross value	119,339	-	79,469	-	198,808
Impairment	-	-	(79,469)	-	(79,469)
	119,339	-	-	-	119,339
Fundo Aquarius FCR					
Gross value	131,051	-	-	-	131,051
Impairment	-	-	-	-	-
	131,051	-	-	-	131,051
Discovery Real Estate Fund					
Gross value	148,836	-	-	-	148,836
Impairment	-	-	-	-	-
	148,836	-	-	-	148,836
Fundo Vega FCR					
Gross value	44,042	-	71,763	-	115,805
Impairment	-	-	(71,763)	-	(71,763)
	44,042	-	-	-	44,042
Total Gross value	1,021,907	-	221,243	36,219	1,279,369
Total Impairment	-	-	(221,243)	(36,219)	(257,462)
	1,021,907	-	-	-	1,021,907

(*) As from 1 January 2018, the Participation Units are now recorded at fair value through profit and loss (note 23).

As at 31 December 2017, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2017				
	Senior securities		Junior securities		Total
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	
Fundo Recuperação Turismo FCR					
Gross value	287,930	-	31,737	-	319,667
Impairment	(46,791)	-	(31,737)	-	(78,528)
	241,139	-	-	-	241,139
Fundo Reestruturação Empresarial FCR					
Gross value	85,209	-	-	33,280	118,489
Impairment and other fair value adjustments	(6,118)	-	-	(33,280)	(39,398)
	79,091	-	-	-	79,091
FLIT-PTREL					
Gross value	261,502	-	38,155	2,939	302,596
Impairment	(3,697)	-	(38,155)	(2,939)	(44,791)
	257,805	-	-	-	257,805
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(203,172)	(36,292)	-	-	(239,464)
	-	-	-	-	-
Fundo Recuperação FCR					
Gross value	199,324	-	78,995	-	278,319
Impairment	(79,247)	-	(78,995)	-	(158,242)
	120,077	-	-	-	120,077
Fundo Aquarius FCR					
Gross value	138,045	-	-	-	138,045
Impairment	(6,993)	-	-	-	(6,993)
	131,052	-	-	-	131,052
Discovery Real Estate Fund					
Gross value	150,409	-	-	-	150,409
Impairment	(2,690)	-	-	-	(2,690)
	147,719	-	-	-	147,719
Fundo Vega FCR					
Gross value	47,087	-	70,770	-	117,857
Impairment	(1,902)	-	(70,770)	-	(72,672)
	45,185	-	-	-	45,185
Total Gross value	1,372,678	36,292	219,657	36,219	1,664,846
Total Impairment	(350,610)	(36,292)	(219,657)	(36,219)	(642,778)
	1,022,068	-	-	-	1,022,068

48. APPLICATION OF IFRS 9 - FINANCIAL INSTRUMENTS

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 has replaced IAS 39 - Financial Instruments: Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application.

Banco Comercial Português ('Group') has been working on this process since 2016 and has launched in this context a project supervised by a Steering Committee involving members of the Executive Committee that is responsible for making key decisions regarding the requirements defined by IFRS 9 and by monitoring the status of the process, of analysing and implementing this new standard. The main departments involved in the project are Risk-Office, Planning, Treasury, Operations, Accounting Department, Credit Departments, Recovery Department and IT Department. The Independent validation unit and the Internal Audit division are also part of the project, namely in the component of its validation, currently ongoing.

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. IFRS 9 is effective for periods that begin on or after 1 January 2018, with early adoption permission and has replaced IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued the document "Prepayment features with negative compensation "(amendments to IFRS 9). The changes are effective for annual periods beginning on January 1, 2019, with early adoption allowed.

The Group applies IFRS 9 as issued in July 2014 and adopt in advance the changes meanwhile made to IFRS 9 in the period beginning on 1 January 2018. According to assessments made, the impact (before taxes) of the adoption of IFRS 9 in the Group's equity with reference to 1 January 2018 is negative in approximately Euros 250 million.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

IFRS 9 includes three main categories of classification for financial assets: assets measured at amortized cost, assets measured at fair value through other comprehensive income (FVOCI) and assets measured at fair value through profit or loss (FVTPL). Consequently, the following categories of IAS 39 Held to Maturity, Loans and Receivables, Available for Sale and Held for trading are eliminated.

A financial asset is measured at amortized cost if it meets, at the same time, with the following characteristics and if it is not assigned to the FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model whose main objective is the holding of assets to collect their contractual cash flows (HTC - Held to collect); and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

A financial asset is measured at the FVOCI if it, simultaneously, meets the following characteristics and is not assigned at FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model which the purpose is to collect its contractual cash flows and the sale of this financial asset (Held to collect and Sell); and
- contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In the initial recognition of an equity instrument that is not held for trading, the Group may irrevocably designate it at FVOCI. This designation is made on a case-by-case basis, investment by investment. This option is available for financial instruments that comply with the definition of capital provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument, within the scope of the issuer, is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

All financial assets that are not measured, according to the criteria described above, at amortized cost or at FVOCI, are measured at FVTPL. In addition, at initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, such as FVTPL, if the designation eliminates significantly the accounting mismatch that would otherwise exist (Fair value option).

A financial asset is classified in one of these categories on initial recognition. See point (VIII) below, alluding to the transition requirements related to the classification of financial assets.

Under IFRS 9, embedded derivatives in financial assets are not separated for classification purposes, so a hybrid instrument is evaluated as a whole.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is available to the management. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or in the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers – e.g. in which way the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- the frequency, volume and frequency of sales in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value through option (Fair Value Option) will be measured at FVTPL because they are not held either for the collection of contractual cash flows (HTC) or for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond only to the receipt of capital and interest (SPPI)

For the purposes of this assessment, "capital" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered that:

- contingent events that may change the periodicity of the cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the right of the Group to claim cash flows in relation to specific assets (e.g. contracts with – clauses which prevent access to assets in case of default – non-recourse asset); and
- characteristics that may change the time value of money.

A contract with the possibility of early payment is consistent with the SPPI criterion, if the amount of prepayment represent the unpaid amounts of principal and interest on the amount of principal outstanding (accrual), and may also include reasonable compensation for anticipatory payment (i.e. administrative cost or servicing fee incurred by early termination of the contract).

In addition, an advance payment is consistent with the SPPI criterion if (i) the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value, (ii) the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and (iii) the prepaid fair value is insignificant at initial recognition.

Impact assessment

The standard will have an impact at the level of the classification of the financial assets held as at 1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which were classified as "Held-for-Trading" and measured at FVTPL under IAS 39, are measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortized cost under IAS 39 are generally measured at amortized cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, are measured, generally, at amortized cost under IFRS 9;
- Investments in debt securities that were classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that were measured at fair value option under IAS 39 are measured at FVTPL under IFRS 9;
- Most of the equity instruments that were classified as available for sale under IAS 39 are measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and are designated at FVOCI, on 1 January 2018.

Based on this analysis and in the strategy defined, no material changes occurred at the level of the measurement associated with financial assets of the Group (financial assets measured at amortized cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The new impairment model is applicable to the following set of Group's instruments, which are not at FVTPL: financial assets classified as debt instruments and commitments and financial guarantees granted (for which impairment was calculated in accordance with IAS 37 - Provisions, Liabilities and Contingent Assets).

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- Stage 1: without significant increase in credit risk from the moment of initial recognition. In this case, impairment reflects expected credit losses arising from defaults over the 12 months from the reporting date;
- Stage 2: instruments in which it is considered that a significant increase in credit risk since initial recognition but for which there is still no objective evidence of impairment and interests are recognised. In this case, the impairment reflects the expected losses from defaults over the residual life period of the financial instrument;
- Stage 3: instruments for which there is objective evidence of impairment in sequence of events that result in a loss and interests are recognised. In this case, the impairment value reflects the expected losses for credit risk over the expected residual life of the instrument.

The impairment requirements of IFRS 9 are complex and require Management decisions, estimates and assumptions, particularly in following areas:

- evaluation of the existence of a significant risk increase from the moment of initial recognition (SICR); and
- incorporation of forward-looking information into the ECL calculation.

Under the scope of IFRS 9, impairment is not recognised in equity instruments registered at FVOCI, and the respective gains/losses accumulated in the fair value reserve transferred to retained earnings on the disposal moment.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- Financial guarantees: the present value of expected repayments, less the amounts that the Group expects to recover.

IFRS 9 defines financial assets with impairment signals similar to impaired financial assets in accordance with IAS 39.

Definition of defaults

Under IFRS 9, the Group considers its financial assets to be in default by applying the same definition that is applied for regulatory purposes. A credit, including capital, interest and expense components, are considered in default when there is a non-compliance of a contractual credit obligation or if an authorized limit has been exceeded and previously communicated to the customer's settlement.

Significant increase in credit risk (SICR)

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk (i.e. default risk) since the initial recognition of the financial instrument, the Group considers relevant information that is available with no costs and/or excessive effort, including both quantitative and qualitative information as well as an analysis based on Group history, expert judgment and forward-looking.

Under the scope of IFRS 9, the identification of a significant increase in credit risk should be performed by comparing:

- the PD lifetime remaining at the date of the reporting date.
- PD lifetime remaining at the reporting date that would have been estimated at the initial time of exposure recognition.

The Group monitors the effectiveness of the criteria used to identify the significant increase in credit risk.

Credit risk degrees

According to the current management of the Group's credit risk, each customer, and consequently its exposures, is allocated to a degree of risk from its master scale (see note 52).

The Group will use these risk grades as a key factor in identifying the significant increase in credit risk under IFRS 9.

Inputs of the ECL

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters are obtained through internal statistical models, and other relevant historical data, taking into account existing regulatory models and adjusted to reflect forward-looking information.

PDs are estimated based on a certain historical period, and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs are calculated considering the contractual maturities of exposures.

The risk degrees are a highly relevant input for determining the PDs associated with each exposure. The Group collects performance and default indicators on its credit risk exposures with analyses by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

Forward-looking information

Under IFRS 9, the Group incorporates forward-looking information both in its assessment of the significant risk increase and in the measurement of the ECL. The Group projected the future evolution of the relevant macroeconomic variables based on the assessment of internal experts and other external data.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) are recognised in the income statement, while under IFRS 9 these fair value changes will be presented as follows:

- the amount related to the variation in the fair value attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining value of the change in fair value will be presented in profit or loss.

The Group has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value will be recognised in OCI and the amount recognised in OCI in each year will be variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

V. Hedge accounting

It was not verified any significant impacts on the transition related to the application of hedge accounting.

VI. Impact on capital ratio

The Bank of Portugal issued guidelines on the transition requirements under the scope of the implementation of IFRS 9. These guidelines allow choosing between two approaches for the recognition of the impact of the adoption of the standard in the regulatory capital:

- i) Transition period of the total impact over a 5-year period, based on the following percentages for some components: 5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021 and 75% in 2022;
- ii) Recognition of the full impact on the date of adoption.

The Bank decided to adopt the first approach so that the impact of the adoption of IFRS 9 on the Bank's regulatory capital will be phased in accordance with the provisions listed above, in particular regarding the impact arising from the application of the new impairment requirements.

The full recognition of the preliminary impact of IFRS 9 in the Group would lead to a decrease in the CET1 ratio as at 31 December 2017 from -36 basis points, including a negative change of Euros 161 million in CET1.

The adoption of the transition period results in a decrease in the CET1 ratio by 25 basis points on 31 December 2017, corresponding to a CET1 decrease of Euros 107 million.

VII. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Group applies the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in Reserves and retained earnings, as at 31 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:

- a) the determination of the business model in which the financial asset is held;
- b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
- c) the designation of certain equity instruments that are not held for trading as FVOCI; and
- d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

49. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS GROUP

As at 31 March 2018, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0	100.0	100.0
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	90,911,185	EUR	Financial	100.0	34.1	–
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Financial	100.0	50.1	–
Enerparcela - Empreendimentos Imobiliários, S.A.	Oeiras	37,200,000	EUR	Real-estate management	100.0	100.0	–
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Oeiras	10,706,743	EUR	Real-estate management	100.0	100.0	–
Sadamura - Investimentos Imobiliários, S.A.	Oeiras	11,737,399	EUR	Real-estate management	100.0	100.0	–
Monumental Residence - Investimentos Imobiliários, S.A.	Funchal	30,300,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	93.9	93.5	83.5
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Goodie Sp.z o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI 24 - Sociedade Imobiliária, SA	Lisbon	44,919,000	EUR	Real-estate management	100.0	100.0	–
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	100.0	100.0	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Irgossai - Urbanização e Construção, S.A.	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate company	100.0	100.0	100.0
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–
Planfipsa S.G.P.S., S.A.	Belas	10,252,000	EUR	Holding company	51.0	51.0	51.0
Cold River's Homestead, S.A.	Lisbon	50,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0	50.0	50.0
Planbelas – Sociedade Imobiliária, S.A.	Belas	2,500,000	EUR	Real-estate company	100.0	51.0	–
Colonade – Sociedade Imobiliária, S.A.	Belas	50,000	EUR	Real-estate company	100.0	51.0	–
Colon Belas Hotel – Sociedade Imobiliária, S.A.	Belas	50,000	EUR	Real-estate company	100.0	51.0	–

(*) - Company classified as non-current assets held for sale.

As at 31 March 2018, the investment and venture capital funds included in the consolidated accounts using the full consolidation

Subsidiary companies	Head office	Nominal Value		Activity	Group		Bank
		Units	Currency		% economic interests	% effective held	% direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	11,718,513	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	137,657,450	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	12,009,785,300	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,653,257	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0

Subsidiary companies	Head office	Nominal Value		Activity	Group		Bank
		Units	Currency		% economic interests	% effective held	% direct held
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	491,610	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	134,023,100	EUR	Real estate investment fund	100.0	100.0	100.0
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	4,785,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	11,945,000	EUR	Real estate investment fund	100.0	100.0	100.0
MR - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	31,056,099	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,600,000	EUR	Real estate investment fund	50.0	50.0	50.0
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	50,169,036	EUR	Real estate investment fund	60.0	60.0	60.0

(*) - Company classified as non-current assets held for sale.

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 March 2018, the SPEs included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Magellan Mortgages No.2 Limited	Dublin	40,000	EUR	Special Purpose Entities	100.0	100.0	100.0
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4	82.4	82.4

As at 31 December 2017, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	92.0	61.4	—

As at 31 March 2018, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	126,955,886	EUR	Banking	19.9	19.9	19.9
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive industry	20.0	20.0	20.0
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8	14.0	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos Do Mar, Lda.	Setúbal	1,483,750	EUR	Trade and industry of sea products	35.0	35.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
Mundotêxtil - Indústrias Têxteis, S.A.	Vizela	11,150,000	EUR	Textile products, except	25.1	25.1	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	–
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.6
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1	25.1	25.1

As at 31 March 2018 the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	775,002,375	EUR	Holding company	49.0	49.0	49.0
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

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Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
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Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt