9M 2018

Report & Accounts

Millennium bcp

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

Report and Accounts for the nine months period ended 30 September 2018

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 "Report and Accounts for the nine months period ended 30 September 2018" document is a translation of the "Relatório e Contas para o periodo de nove meses findos em 30 de setembro de 2018", a document published by Banco Comercial Português, S.A. in the Portuguese Securities and Market Commission (CMVM) website, 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 para o periodo de nove meses findos em 30 de setembro de 2018" prevails.

All mentions in this document to the application of any regulation 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

In the first nine months of 2018 the world economy continued on the cycle of expansion that has been seen over the past few years, despite the geographic pattern of growth becoming more heterogeneous, with less dynamism among most emerging economies.

In Portugal, productive activity continued to benefit from the favorable external environment in terms of the economy and finance, and from the significant improvement in employment, which helped sustain robust levels of export and investment, alongside solid expansion of private consumption.

In Poland, the pace of economic expansion remained strong, reflected in a rise in family consumption as well as public and private investment. In Mozambique the stabilization of the metical and of aggregate prices allowed for a loosening of the restrictive monetary policy, with positive effects on the economy. In Angola the rise in the price of oil on international markets throughout 2018 has favored the process of economic and financial stabilization that is underway.

Millennium bcp's performance continues to show growth in all business areas, with a significant increase in the bank's profitability.

The consolidated net profit for the first nine months of 2018 totaled 257.5 million euros, a rise of 93.1% compared with the same period the previous year, powered by the strong activity in Portugal, which contributed 114.9 million euros, as well as the continued positive evolution of the international activity.

Highlights include the increase of net loans by around 700 million euros in the quarter, of which around 300 million euros from Portugal and 400 million euros from the international operations. This confirms the dynamic growth trend seen in the previous quarters and contributes to an accumulated growth of the performing loan portfolio by 5.1% in the 12 months since September 2017, up by 2.2 billion euros, of which 1.3 billion euros come from Portugal.

Total customer deposits rose 5.5% to reach 72.8 billion in September 2018, compared with September 2017.

Millennium bcp continues to be one of the most efficient banks in Portugal and in the Euro Zone, with cost to core income at 48%.

The trend for non-performing exposures (NPEs) continues on a notable downward path, with NPEs cut by approximately 1.8 billion euros between September 2017 and September 2018, with the reduction in Portugal totaling 1.6 billion euros. Coverage for NPE impairment rose to 51%, with total coverage rising to 107%.

The determined way in which this reduction of NPEs has been carried out is important, as it helps strengthen confidence and ensures Millennium bcp's sustainability, with the progressive improvement of asset quality.

The contribution from international activity to consolidated net profits in the first nine months of 2018 totaled 140.8 million euros, a rise of 7.2% compared with the same period the previous year.

In Poland the net result for Bank Millennium through the end of September 2018 rose to 129 million euros, up 9.3% compared with the same period the previous year, with ROE of 9.5%.

Millennium bim, in Mozambique, achieved a net profit of 72.3 million euros, up 20% from the same period the previous year, with ROE of 23.5%.

The stake in Banco Millennium Atlântico contributed 17.1 million euros to Millennium bcp's net results in the first nine months of 2018, confirming the value of this partnership in Angola.

At the end of September 2018 the CET1 ratio on a fully-implemented basis was 11.8%, well above the regulatory minimum and appropriate for the bank's risk profile, while liquidity remained at a comfortable level, as reflected in the loan-to-deposits ratio which remains below 90%.

In general terms the results of the third quarter of 2018 were very positive, aligned with the growth and profitability ambition that Millennium bcp proposed in the strategic plan and which has been amply recognized by customers, market analysts and ratings agencies.

Standard & Poor's and Moody's both recognized the progress Millennium bcp has made in recent years, and in October both upgraded the bank's risk ratings.

In November we received and published the results of the Europe-wide banking stress test run by the EBA and the ECB, in which Millennium bcp achieved a good result, substantially better than the results obtained in similar tests in 2014 and 2016. In the adverse scenario the CET1 ratio for Millennium bcp, on a fully-implemented basis, suffered an impact of 300 basis points, better than the average impact of 395 basis points achieved by the 48 banks tested by the EBA.

The start of the month was also marked by the agreement reached by Bank Millennium in Poland to acquire 99.79% of eurobank, an operation which, once all regulatory approvals are obtained, will allow the bank to strengthen its position and achieve its ambition for growth in the Polish market. The transaction is an opportunity for significant growth in value creation by taking advantage of the complementary businesses and significant synergies that exist between Bank Millennium and eurobank, with an estimated rise in earnings per share of Bank Millennium of 26% when the synergies are fully implemented.

Under the agreement Bank Millennium, financed by its own means, will pay 428 million euros for the acquisition, representing a P/BV ratio of 1.2x (below the P/BV of 1.3x at which listed Polish banks, including Bank Millennium, were trading at the time), which means this is a lucrative application of excess capital and liquidity.

Finally, in November there was a General Meeting of Banco Comercial Português S.A. shareholders, at which an ample majority approved: (1) the alteration of the bank's statutes to clarify the capital eligible for CET1 and (2) the reformulation of the items of own capital with the special purpose of unequivocally reinforcing the future conditions for the existence of funds classified by the regulators as distributable by means of the reduction of the amount of the share capital by 875.7 million euros, without changing the existing number of shares or altering the net equity, with the consequent alteration of the articles of association.

Miguel Maya

Chief Executive Officer

Nuno Amado

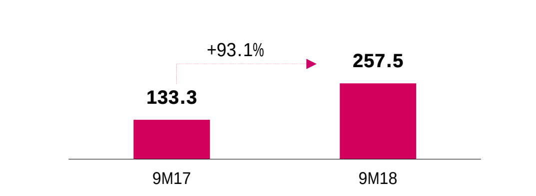
Chairman of the Board of Directors

Information on the BCP Group

BCP in the first nine months of 2018

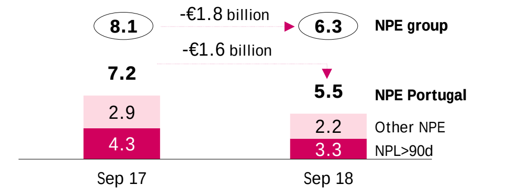
Improved profitability

(Consolidated net earnings, million euros)



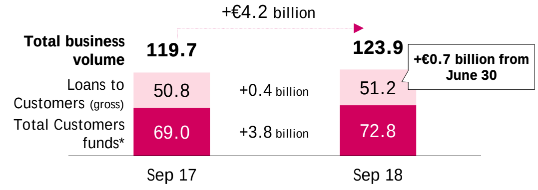
Improved asset quality

(Non-performing exposures, billion euros)



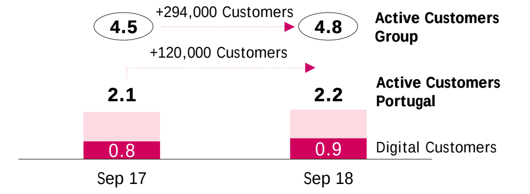
Increasing business volumes

(Consolidated, billion euros)



Growing Customer base

(Million Customers)



*Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

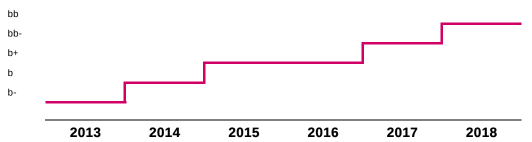
- Improved profitability, with net earnings of €257.5 million in the first 9 months of 2018
- Improved credit quality, with NPEs decreasing by €1.8 billion from September 30, 2017
- Increasing business volumes in the third quarter of 2018, with total loans up by approximately €700 million and performing loans up by €1.0 billion
- +294,000 active Customers from September 30, 2017

Recent rating actions recognise Millennium bcp's improvement over the last years

Standard & Poor's

Stand-Alone Credit Profile

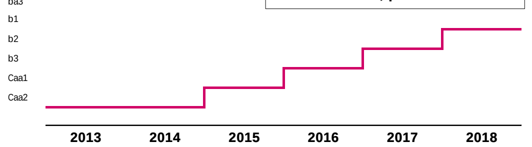
Long-term rating upgraded on October 9th, stable outlook



Moody's

Baseline Credit Assessment

Long-term rating upgraded on October 16th, positive outlook



Good performance on stress tests when compared to the average for banks tested

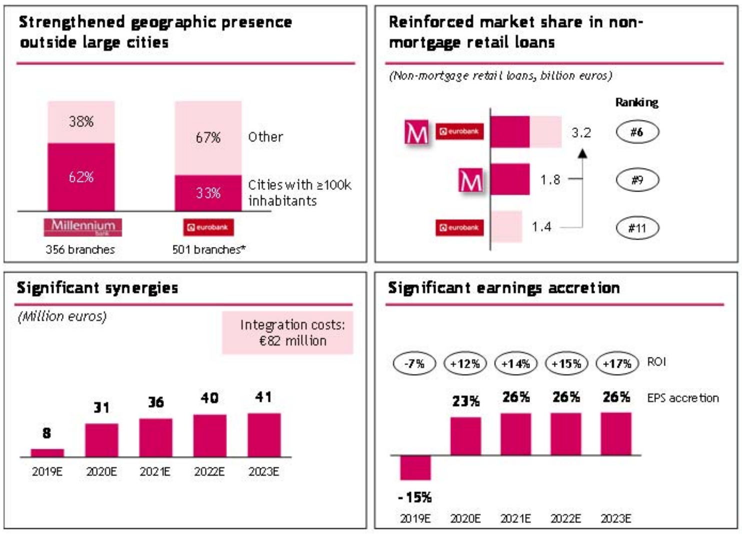
Outcome of the stress tests 2018

Adverse scenario

	Change 2017-2020	
CET1 ratio	**BCP**	**Avg. for the EBA-tested 48 banks**
Phased-in	-384 bp	-410 bp
Fully implemented	-300 bp	-395 bp

- Millennium bcp's CET1 phased-in ratio aggravated 384 basis points from end-2017 under the adverse scenario, comparing favourably to an average 410 basis points aggravation for the 48 banks tested by EBA
- Under a fully implemented basis, Millennium bcp's CET1 ratio aggravated 300 basis points, comparing favourably to an average 395 basis points aggravation for the 48 banks tested by EBA

AGREEMENT FOR THE ACQUISITION OF EUROBANK IN POLAND MATERIALISES RENEWD GROWTH AMBITION



- Agreement for the acquisition of a 99.79% stake in eurobank for an estimated consideration of €428mn (1.20× P/BV), in cash and fully financed from internal sources of Bank Millennium
- eurobank had total assets of €3.3 billion, net loans of €2.8 billion and Customer deposits of €1.6 billion as at June 30, 2018
- Transaction boosts Bank Millennium's geographic presence outside large cities and its share of the market of non-mortgage retail loans
- Lucrative deployment of Bank Millennium's capital and liquidity surpluses: 26% earnings accretion estimated after synergies are fully materialised
- Transaction expected to complete in the 2nd quarter of 2019, subject to regulatory approvals
- Approximate impacts of -40bps on the Group's fully implemented CET1 ratio and of -30bps on the Group's total capital ratio are expected on the date of transaction

€/Zloty: 4.2807.
*Of which: 250 own branches and 251 franchised branches.

Main Indicators (1)

Euro million

	30 Sep. 18	30 Sep. 17	Change 18/17
BALANCE SHEET			
Total assets	73,745	72,990	1.0%
Loans to customers (gross)	51,150	50,754	0.8%
Total customer funds (2)	72,786	68,984	5.5%
Balance sheet customer funds	54,922	52,265	5.1%
Deposits and other resources from customers	53,624	50,690	5.8%
Loans to customers (net) / Deposits and other resources from customers (3)	89%	93%	
Loans to customers (net) / Balance sheet customer funds	87%	91%	
RESULTS			
Net income	257.5	133.3	93.1%
Net interest income	1,052.8	1,023.2	2.9%
Net operating revenues	1,634.6	1,594.3	2.5%
Operating costs	754.2	694.6	8.6%
Operating costs excluding specific items (4)	742.2	718.3	3.3%
Loan impairment charges (net of recoveries)	337.1	458.6	-26.5%
Other impairment and provisions	94.2	169.9	-44.5%
Income taxes			
Current	77.6	82.8	
Deferred	32.0	(19.7)	
PROFITABILITY			
Net operating revenues / Average net assets (3)	3.0%	2.9%	
Return on average assets (ROA)	0.6%	0.4%	
Income before tax and non-controlling interests / Average net assets (3)	0.8%	0.5%	
Return on average equity (ROE)	6.0%	3.2%	
Income before tax and non-controlling interests / Average equity (3)	8.8%	5.6%	
CREDIT QUALITY			
Total impairment (balance sheet) / Loans to customers	6.3%	6.7%	
Cost of risk (net of recoveries, in b.p.)	88	120	
Non-Performing Exposures / Loans to customers	12.3%	15.9%	
Restructured loans / Loans to customers	7.7%	8.9%	
EFFICIENCY RATIOS (3) (4)			
Operating costs / Net operating revenues	45.4%	45.1%	
Operating costs / Net operating revenues (Portugal activity)	46.3%	45.7%	
Staff costs / Net operating revenues	25.9%	25.3%	
CAPITAL (5)			
Common equity tier I phased-in ratio	11.8%	13.2%	
Common equity tier I fully implemented ratio	11.8%	11.7%	
BRANCHES			
Portugal activity	568	589	-3.6%
Foreign activity	548	542	1.1%
EMPLOYEES			
Portugal activity	7,130	7,281	-2.1%
Foreign activity	8,656	8,538	1.4%

(1) Some indicators are presented according to management criteria of the Group, which descriptions and concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements.

(2) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 30 September 2017 is presented according to the new criteria.

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

(4) Excludes specific items: negative impact of Euro 12.0 million in the first nine months of 2018, related to restructuring costs in the activity in Portugal and positive impact of Euro 23.7 million in the first nine months of 2017 related to restructuring costs and the revision of Collective Lab. Agt. also in the activity in Portugal, both in staff costs.

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

BCP Group

BRIEF DESCRIPTION

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private sector 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.

BANK HISTORY

BCP was incorporated on 17 June 1985 as a limited liability company ("sociedade anónima") organised under the laws of Portugal following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("Atlântico"), which was then the largest private sector bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (currently Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model could be effectively exported and tailored to suit such local markets (such as Poland, Greece and Romania).The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non-executive members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed with the EC a Restructuring Plan, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The approved Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% in business volume.

BCP has announced in January 2017 a Euros1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including dividend ban, risk of potential sale of core businesses and tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above current regulatory requirements.

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects our relentless path and the compounding of multiple achievements, such as a more than 40% cost reduction in Portugal since 2011, and a 44% reduction in Group NPE since 2013 (from Euros 13.7 billion to Euros 7.7 billion in 2017). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

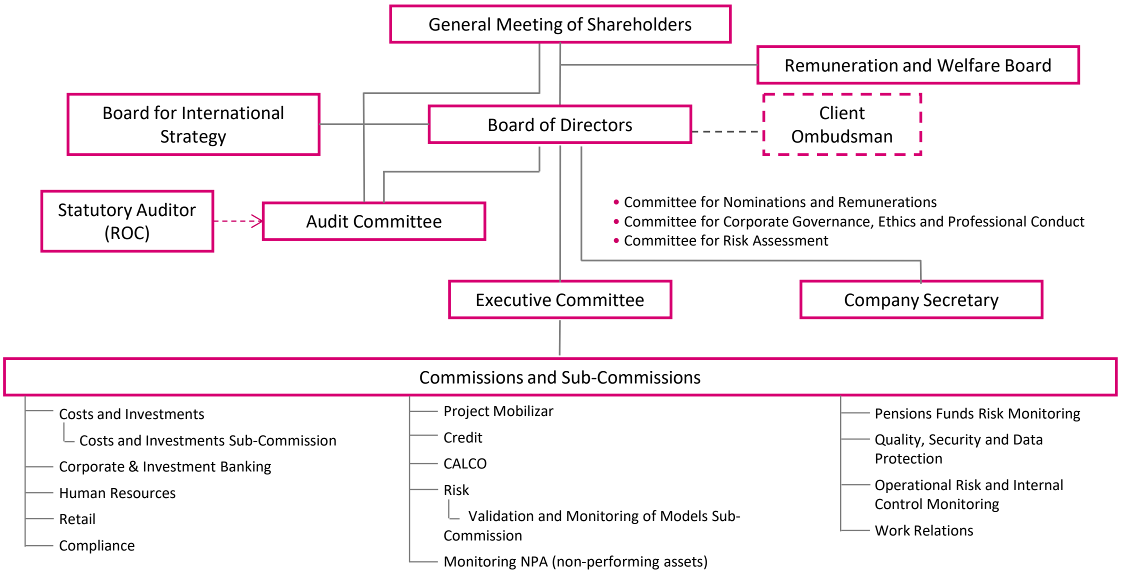
Governance

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 30 May 2018 to perform duties for the four-year period 2018/2021. Nuno Amado (former CEO) was appointed Chairman of the Board of Directors and Miguel Maya appointed the CEO.

ONE-TIER MANAGEMENT AND SUPERVISORY MODEL, COMPOSED BY A BOARD OF DIRECTORS



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 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of three years, who may be re-elected.

The Board of Directors took office on July 23, 2018.

The Board of Directors appointed an Executive Committee (EC) composed of 6 of its members, to which it delegates the day-to-day management of the Bank. The Executive Committee is 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 elected by the General Meeting.

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 *	Committee for Corporate Governance, Ethics and Professional Conduct	Committee for Nominations and Remunerations	Committee for Risk Assessment
Nuno Manuel da Silva Amado (Presidente do CA)	•				•			
Jorge Manuel Baptista Magalhães Correia (Vice-Presidente do CA e Presidente do CRP)	•			•				
Valter Rui Dias de Barros (Vice-Presidente do CA)	•		•			•		
Miguel Maya Dias Pinheiro (Vice-Presidente do CA e CEO)	•	•			•			
Ana Paula Alcobia Gray	•			•				•
Cidália Maria Mota Lopes	•		•					
João Nuno de Oliveira Jorge Palma	•	•						
José Manuel Alves Elias da Costa (Presidente da CNR)	•					•	•	•
José Miguel Bensliman Schorcht da Silva Pessanha	•	•						
Lingjiang Xu (Presidente do CGSED)	•					•	•	
Maria José Henriques Barreto de Matos de Campos	•	•						
Miguel de Campos Pereira de Bragança	•	•						
Rui Manuel da Silva Teixeira	•	•						
Teófilo César Ferreira da Fonseca (Presidente da CAR)	•						•	•
Wan Sin Long	•		•					•
Xiao Xu Gu (Julia Gu)	•							
Norberto Emílio Sequeira da Rosa				•				
António Vitor Martins Monteiro					•			

* Chairman and Vice- chairman to be nominated.

Main Events in first nine months of 2018

JANUARY

- 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.

FEBRUARY

- Return to the "The Sustainability Yearbook", a benchmark publication in the sustainability area.
- Millennium bcp subscribes the Conselho Empresarial para o Desenvolvimento Sustentável (Entrepreneurial Council for the Sustainable Development - BCSD) Portugal Charter of Principles, integrating the group of the first signatory companies.

MARCH

- Return of BCP to the Stoxx Europe 600 Index, the European Stock Market Index benchmark.
- Memorandum of Understanding between Millennium bcp and Alipay, China's largest digital payment platform, which 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.
- BCP confirmed in the ETHIBEL Sustainability Index Ethibel Sustainability Index (ESI) Excellence Europe.

MAY

- Conclusion, on May 30, 2018, with 63.04% of the share capital represented, of the Annual General Meeting of Shareholders, being noteworthy, within the resolutions, the approval of the individual and consolidated annual report, balance sheet and financial statements of 2017 and the approval of the proposal for the appropriation of profits from 2017; the election of the Board of Directors for the term-of-office beginning in 2018, including the Audit Committee; and the election of the Remuneration and Welfare Board for the term-of-office beginning in 2018.
- Signature of a Memorandum of Understanding between Banco Comercial Português and the Industrial and Commercial Bank of China, renewing the cooperation agreement signed in 2010.
- Launching of the 2nd edition of the "Millennium Horizontes Awards", an initiative that is part of the bank's strategy to promote exports, internationalization and innovation, developed in partnership with Global Media Group, COTEC (Business Association for Innovation), AICEP (Portugal's business development agency) and Católica University.

JUNE

- Signature of a Clearing and Settlement of Renminbi Business agreement with the Bank of China Macau, reinforcing the Bank's presence in the Chinese market and becoming the first bank in Portugal to be considered a Participating Bank with access to Macau's payments system.
- Signature of the Acquiring Contract between Banco Comercial Português and Alipay, resulting from the Memorandum of Understanding agreed in March 2018, covering cooperation in the Portuguese market, with Millennium bcp becoming the first bank to facilitate transactions between Chinese travellers and merchants in Portugal.
- Millennium bcp became the first Portuguese bank to join the Euronext Vigeo Eurozone 120 Index, which includes 11 other Euro Zone banks.
- Millennium bcp volunteers participate once again in the regular food collection campaign promoted by the Portuguese Food Bank at a national level.

JULY

- The Board of Directors elected by the Annual General Meeting of Shareholders held on 30 May 2018 started its term of office on 23 July 2018.
- Announcement of the main guidelines of the Strategic Plan 2018-2021.
- Signing of a Clearing and Settlement of Renminbi Business agreement with the Bank of China Macau, reinforcing its presence in the Chinese market.
- A long-term strategic partnership agreement signed between Millennium bim and Insurer Fidelidade aimed at the sustained growth of the insurance sector in Mozambique.
- Bank Millennium has applied to the Polish Financial Supervision Authority for permission to create a mortgage bank under the name of "Millennium Bank Hipoteczny," based in Warsaw.

SEPTEMBER

- BCP confirmed in the Sustainability Index "Ethibel Sustainability Index (ESI) Excellence Europe”.

Subsequent events

- On October 9, S&P Global Ratings upgraded BCP's long-term issuer credit rating to BB from BB- and affirmed its short-term counterparty credit rating at B. The outlook chanted to stable.
- On October 16, Moody's upgraded by one-notch BCP's long-term deposit and senior unsecured debt ratings to Ba3 from B1, reflecting, essentially, the upgrade of the bank's BCA to b1 from b2 and an unchanged moderate government support for BCP.
- On November 5, BCP informed that its subsidiary Bank Millennium announced that day that it reached an agreement for the acquisition of a 99.79% stake in Euro Bank S.A. from Société Générale Financial Services Holding, a subsidiary of Société Générale S.A., for an estimated total consideration of 1,833 million zlotys (EUR 428 million), implying a 1.20x P/BV (final purchase price subject to customary NAV adjustment at closing), to be paid in cash and fully financed from internal sources of Bank Millennium. The transaction is expected to close in the second quarter of 2019, subject to regulatory approvals, and is estimated to be earnings accretive for Millennium bcp on a consolidated basis from 2020, already including integration costs, with an approximate impact of -40 basis points on its CET1 ratio and of -30 basis points on its total capital ratio expected on the date of transaction.
- On November 5, BCP concluded on that day, with 62.1% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions: i) Approval of the alteration of the articles of association through the modification of number 2 of article 54 of the Bank's Articles of Association; ii) Approval of reformulation of the items of own capital with the special purpose of unequivocally reinforcing the future conditions for the existence of funds able of being classified by the regulators as distributable by means of the reduction of the amount of the share capital in 875,738,053.72 euros, without changing the existing number of shares (without nominal value) and without altering the net equity, with the consequent alteration of number 1 of article 4 of the articles of association.
- On November 5, BCP informed that the European Banking Authority has published the results of the 2018 EU-wide stress test, which has involved a significant sample of banks in the European Union, with outcomes for 48 banks having been disclosed. The EBA-led stress test was conducted in articulation with the ECB. Besides the coordination of the exercise, the EBA was responsible for running the exercise for the major banks in the Euro Area. ECB has conducted a parallel stress test for other banks under its supervision, including BCP. BCP's CET1 phased-in ratio stood at 9.14% under the adverse scenario, a 384 basis points aggravation from end-2017, comparing favourably to an average 410 basis points aggravation for the 48 banks tested by EBA (300 basis points aggravation, comparing to 395 basis points, respectively, under a fully implemented basis).

BCP Share

BCP share price decreased 6% in the first nine months of 2018, compared to a 15% decrease of the STOXX® Europe 600 Banks index.

The relative performance of BCP was therefore positive:

- The share price appreciated significantly at the beginning of the year, based on price targets' revisions by several analysts;
- It extended gains with the release of the 1Q18 results;
- It also reacted positively to the news of Bank Millennium's potential interest in acquiring the Polish unit of Société Générale (2Q18);
- In the 3Q18, it benefited: i) from the improvement of the credit rating outlook of the Republic of Portugal by S&P; ii) from forecasts by the IMF, EC and Public Finance Council pointing to a deficit below 1% in 2018; and iii) from the ECB President's speech, which stated that inflation is recovering "vigorously" and included also positive comments on wage developments, making more probable that an hike in interest rate might happen sooner than expected previously.

However, these gains were offset due to reasons related to the external environment:

At a global level:

- Worries of a deceleration of the world economy, caused by the escalation of the commercial war between USA / China / Canada / Europe, present during the first 9M18, aggravated by the diplomatic tension between the US and Turkey, reflected in a significant depreciation of the Turkish lira, with a more significant impact on European stock markets during the 3Q18.

At a European level:

- Return of the NPLs issue during the 1H18, which penalized banks such with high stock of NPLs as BCP
- Political instability in Europe in particular regarding political risk (i.e. political instability in Spain, Italy and Germany) and also the increase in sovereign risk (i.e., the future of the Euro), which has escalated in the last 2M with the statements by the Italian Prime Minister, admitting that Italy would not meet the European Union's deficit limit. This affects BCP share price in the medium term because investors require an higher COE to hold BCP shares, given Portugal's dependence on the European project; and, in the short term, as increased sovereign debt yields in Italy end up increasing the yields on the Portuguese public debt (the revaluation of BCP's portfolio of Portuguese public debt at market prices has a negative impact on BCP's regulatory capital).

Source: Euronext, Thomson Reuters

BCP SHARES INDICATORS

	Units	9M18	9M17
ADJUSTED PRICES			
Maximum price	(€)	0.3339	0.2588
Average price	(€)	0.2758	0.2035
Minimum price	(€)	0.2367	0.1383
Closing price	(€)	0.2550	0.2453
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	5,809	6,052
Shareholder's Equity attributable to ordinary shares (1)	(M€)	5,749	5,992
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.022	0.014
Book value (4)	(€)	0.380	0.396
MARKET INDICATORS			
Closing price to book value	(PBV)	0.67	0.62
Market capitalisation (closing price)	(M€)	3,854	3,707
LIQUIDITY			
Turnover	(M€)	2,693	3,012
Average daily turnover	(M€)	14.1	15.7
Volume (3)	(M)	9,600	14,742
Average daily volume (3)	(M)	50.3	76.8
Capital rotation (5)	(%)	63.5%	109.6%

(1) Shareholder's Equity attributable to the group - preference shares
(2) Considering the average number of shares outstanding
(3) Ajusted 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) Total number of shares traded divided by the average number of shares issued in the period

Qualified Holdings

On 30 June 2018, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

			30 June 2018
Shareholder	Nr. of Shares	% of share capital	% of 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%**
BlackRock, Inc.*	512,328,512	3.39%	3.39%
TOTAL FOR BLACKROCK GROUP	**512,328,512**	**3.39%**	**3.39%**
EDP Pension Fund *	319,113,690	2.11%	2.11%
TOTAL FOR EDP GROUP	**319,113,690**	**2.11%**	**2.11%**
TOTAL OF QUALIFIED SHAREHOLDINGS	**7,867,585,895**	**52.1%**	**52.1%**

* According to the announcement on March 5, 2018 (latest information available).
** Imputation in accordance to article 20 (1.f) of the Portuguese Securities Code.

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) forecasts that the growth pace of the world economy is bound to remain robust in 2018 and 2019. The current phase of activity expansion has been, however, displaying greater disparity between the main economic blocs. Amid the developed countries the performance of the US has stood out, and amongst the emergent markets it is the commodity-exporting countries that have been more dynamic. This environment, together with the risks of a worsening of protectionist tensions and of added instability in international financial markets might jeopardise the on-going expansion trajectory of the world economy, according to the IMF.

The strong performance of the North-American economy translated into a high growth pace for activity and employment, and led the Federal Reserve to raise its key interest rate in September for the third consecutive time this year (to 2.25%), and also to keep in place the plan to wind down its portfolio of debt securities accumulated during the quantitative easing programmes. The European Central Bank (ECB) hasn't made any alteration to the course of its monetary policy during the third quarter, in a context of consolidation of the economic recovery and the absence of inflationary pressures in the euro area.

The stabilisation of the dollar, of long-term U.S. interest rates and of the financial situation of emerging markets allowed for a recovery of the equity markets in the US, with the respective key indices reaching new all-time highs in September, an evolution that contrasted with the debility of the European counterparts, which have been hurt by the strong devaluations recorded by the banking sector. In the interest rates domain, expectations that the rising trajectory of the Federal Reserve's key rates might extend into 2019 fuelled an increase of the yields of the US government bonds, with special acuteness in the shorter maturities, a development that ended up affecting, albeit in a rather mild fashion, European medium- and long-term interest rates. The expansionary stance of the fiscal policy of the new government of Italy continued to exert an upward pressure on the yields of Italian public debt, with contagion effects that proved quite limited to the Portuguese treasury bonds. The assurance given by the ECB officials that the Euro's key interest rates won't be raised until the summer of 2019 maintained the Euribor rates in negative territory for all the maturities.

The Portuguese Economy continues to record growth rates above its potential level. According to Statistics Portugal, in the first half of 2018, the Portuguese GDP increased 2.3% in annual terms, driven by the expansion of private consumption and the on-going recovery of investment, amid the improvement in the levels of business confidence. As for external demand, exports continue to advance in a very favourable manner, supported by the vigour of the tourism sector and of the auto cluster. However, in net terms the contribution of external demand to GDP growth worsened in the first half of the year as imports rose more than exports. Against this background, the falling trajectory of the unemployment rate has intensified in the second quarter to levels not witnessed since 2004 (6.7%). For the whole year, the IMF foresees a growth of the Portuguese GDP of 2.3% and, in 2019, the expectation is that the economy´s rate of expansion decelerates to 1.8%, in a climate marked by slowing external demand and of deceleration of private consumption, after the strong growth observed in the latest quarters.

In Poland, the economic climate continues to be characterised by a strong dynamism of aggregate demand, with GDP growing 5.0% in the first half of the year compared to the same period of last year. The robustness of consumption, in a setting of rising households' disposable incomes and increasing investment fed by the European Union structural funds have been the main drivers of economic activity. In terms of foreign exchange, in the third quarter the Zloty appreciated against the Euro, benefiting from a greater stability of international financial markets.

The Mozambican Economy has been showing moderate levels of GDP growth, which together with reduced inflationary pressures has allowed the central bank to keep in place the expansionary cycle started in mid-2017. According to the IMF, the Mozambican economy should continue to recover gradually, with GDP growth expected at 3.5% in 2018 and 4.0% in 2019. In the third quarter, the Metical deprecated, thereby interrupting the appreciation trajectory recorded in the preceding months. In Angola, the IMF revised downward its forecasts for economic growth in 2018, from 2.2% to -0.1%, but anticipates that in 2019 the GDP rate of expansion will reach 3.1%.

Business Model

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Switzerland, Mozambique, Angola (through its associate BMA) and China. All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

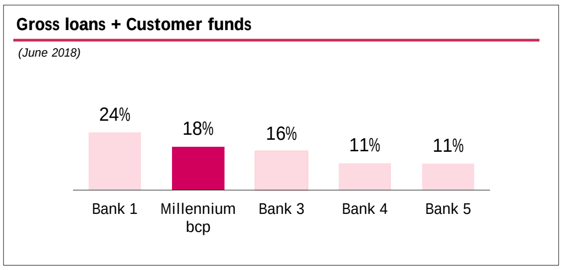
In Portugal, Millennium bcp is focused on the retail market, providing services to its Customers in a segmented manner. The subsidiary companies generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

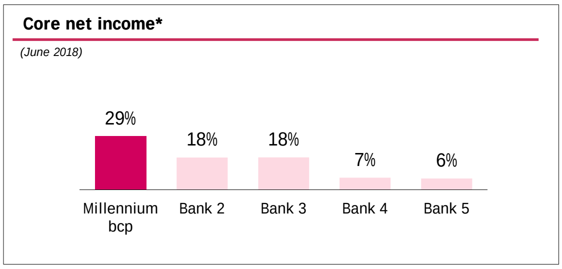
DISTINCTIVE FACTORS OF THE BUSINESS MODEL

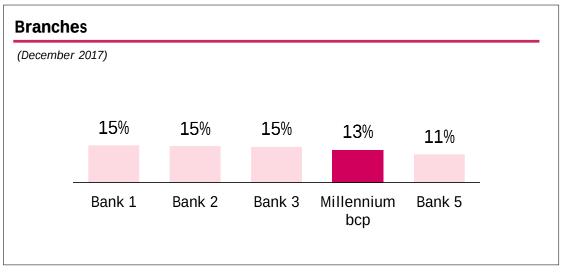
Largest private sector banking institution

Millennium bcp is Portugal's largest private sector banking institution, with a position of leadership and particular strength in various financial products, services and market segments based on a modern branch network with nationwide coverage. The Bank also offers remote banking channels (banking service by telephone, mobile banking and online), which operate as distribution points for its financial products and services.

PORTUGUESE FINANCIAL SYSTEM MARKETS SHARES







- Concentrated Portuguese banking market: TOP 5 banks represent 80% of the market share in terms of business volumes
- BCP, the largest private sector bank in Portugal in terms of business volumes, generates 29% of the system core net income
- BCP is the most efficient bank in Portugal with only 13% of the system branch network

* Core net income = net interest income + net fees and commission income - operating costs

The priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model, transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the update of technology, information safety and promotion of new work forms.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and personalised management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking also through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

International footprint as a growth platform

At the end of September 2018, Millennium bcp was the largest Portuguese private sector bank with a relevant position in the countries where it operates.

On 30 September 2018, operations in Portugal accounted for 72% of total assets, 74% of total loans to Customers (gross) and 73% of total customer funds. The Bank had 2.2 million active Customers in Portugal and market shares of 17.2% and 17.5% for loans to Customers and customer deposits, respectively in September 2018.

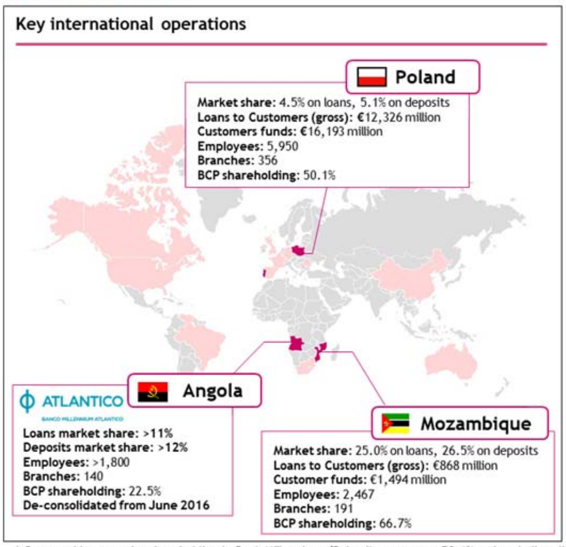
Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving 4.8 million Customers, at the end of September 2018.

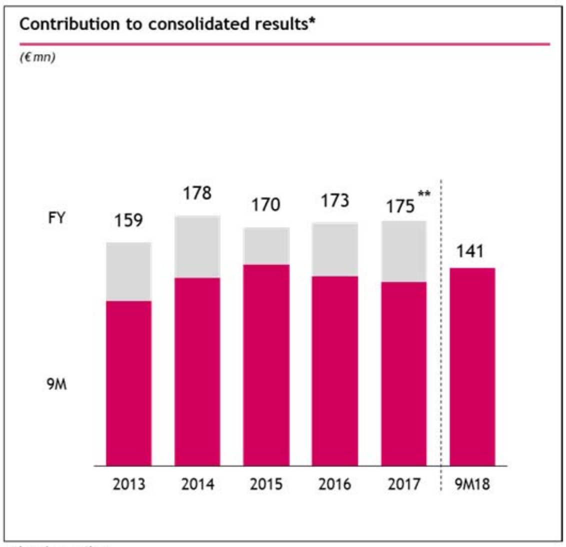
Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has over 1.3 million Customers and is the leading bank in this country, with 25.0% of loans and advances to Customers and 26.5% of deposits, on 30 September 2018. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. As at 30 September 2018, Bank Millennium had a market share of 4.5% in loans to Customers and of 5.1% in deposits.

FOCUSED INTERNATIONAL OPERATIONS, DELIVERING RESILIENT CONTRIBUTION TO RESULTS AND PROVIDING DIVERSIFICATION





* Comparable, assuming shareholding in Bank Millennium (Poland) constant at 50.1% and excluding discontinued operations
** Excluding IAS 29 impact for the Angola operation in the amount of €28.4 million

The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on rigorous research and profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

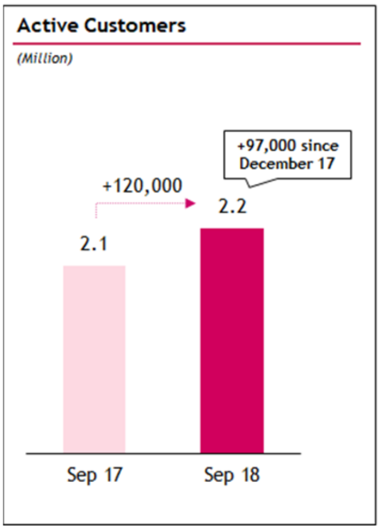
The Group has also been present in the Far East since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

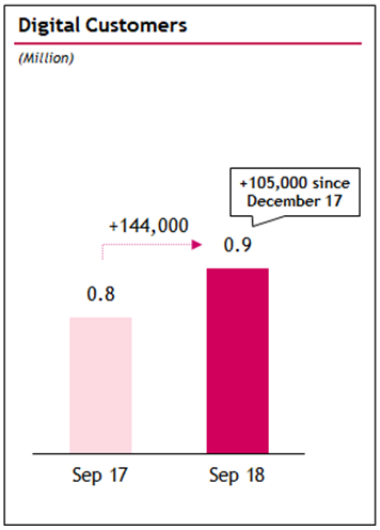
The Bank also has 10 representation offices (1 in the United Kingdom, 1 in Germany, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou, and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).

Growth based on digital / mobile banking

Since its incorporation, the Bank has built a reputation associated with innovation. The Bank was the first Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the customer, including the opening of a current account using Mobile Banking solutions.

STRONG CUSTOMER ACQUISITION





Digital awards in the 3rd quarter

- 3 honours in the Global Finance Best Digital Bank Awards: Best Consumer Digital Bank in Portugal, Best Online Deposit, Credit and Investment Product Offerings in western Europe and Best Information Security and Fraud Management in Western Europe for both individuals and companies internet banking websites
- The new Millennium Teller Machine (MTM) was considered one of the Best ATM/Self-Service Experiences in the world at the annual Bank Customer Experience Summit in Chicago, USA. Millennium bcp was the only European bank distinguished at this summit

Customer-centric model of relationship

One of the distinctive competences of Millennium bcp consists in a customer oriented relationship model:

- In accordance with the BASEF (5 largest banks), Millennium bcp was considered the Bank closest to its Clients, the most innovative Bank, the Bank of the Customer's choice, the Bank with the most satisfied clients regarding digital channels, quality of service, manager and quality of products/services; BFin 2018 DataE
- Millenniumm bcp is leader in online stock exchange operations with a strong contribution given by the Bolsa App and the MTRADER platform, winner of the award Best Capital Market Initiative in the Euronext Lisbon Awards 2018;
- Millennium bcp is the main bank of Companies in Portugal, being the leader with a 20.2% market share in all components (Microcompanies, SMEs, MidCaps and Large Companies) in accordance with the BFin 2018 DataE[1];
- Millennium bcp holds a 31.6% share in the funding of projects and in the estimation of intended new loans of 25.3%, leading all financing indicators of Portugal 2020, in accordance with the BFin 2018 DataE.
- Millennium bcp is leader in the use of credit lines in Portugal (with a 23.8% market share) and reinforces that leading position by ranking first in the forecast of intended use of loans in the next 12 months (with a 25.5% market share).
- Millennium bcp leads in trade, services and in industry and also in exporting companies (with 22.0% of market share), in Portugal 2020, in factoring and in leasing (a market share of 15%), in accordance with the BFin 2018 DataE;

[1] In accordance with DataE, the "Business Financial Services Barometer - Banks (BFin Bancos)" is a study whose main target is to characterize the Portuguese banking sector from the companies standpoint, regarding products and services made available by the Banks. The results of the BFin 2018 are based on a sample pool of over1,300 companies. The information was collected from April to June 2018.

- This leading position was also reached in digital, being the most used Bank in NetBanking, with a market share of 27.1%, plus the leading position in satisfaction with NetBanking, with 52.2% (+7.2% versus 2017) and it also attained a leading position in Mobille Banking, with a market share of 25.4%[2];
- It was the Bank most mentioned as the “Overall Best Bank for Companies” and “Globally More Efficient”, having “Products Most appropriate to companies”, “More Innovative” and “Closest to Customers”.

Millennium bcp: Best Consumer Digital Bank in Portugal; Best Online Deposit, Credit and Investment Product Offerings in Western Europe; Best Information Security and Fraud Management in Western Europe for both individuals and companies internet banking websites

Millennium bim: Best Digital Bank in Mozambique

Millennium bcp: Best investment bank in Portugal

Millennium bim: Best bank in Mozambique

Bank Millennium: #1 in Mobile Banking, #2 in Bank for Mr. Kowalski (traditional banking) e #3 in Internet Banking na in Mortgage Banking (Newsweek’s Friendly Bank 2018)

Millennium bcp: winner of the Marketeer award, “Banking” category

Millennium bcp: the new Millennium Teller Machine (MTM) was considered one of the Best ATM Self-Service Experiences in the world. Only European bank distinguished

Millennium bcp
Consumer Choice 2018, “Large Banks” category

Millennium bcp
Best Bank for Companies; Most Appropriate Products; Most Innovating; Most Efficient; Closest to Customers

Millennium bcp
Best Private Bank in Portugal (The Banker, a publication of the Financial Times group)

Business model sustainability

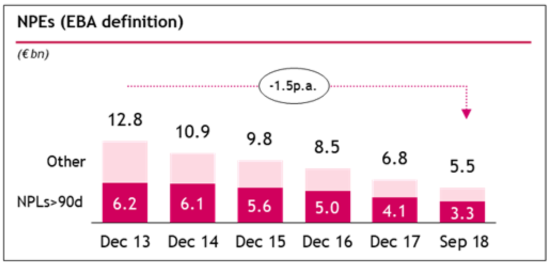
The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp successfully implemented an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. It implemented a restructuring program based on a reduction of operating costs by more than 40% in Portugal since 2011 and a 44% reduction in the Group’s NPE since 2013 (from Euros 13.7 billion to Euros 7.7 billion in 2017).

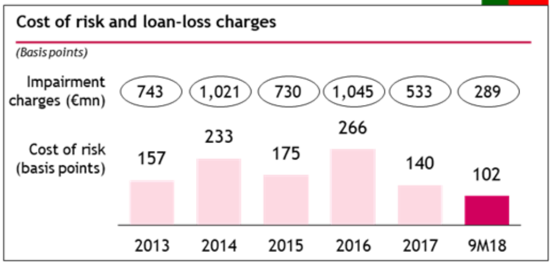
Three distinctive competences acted as the main pillars of this recovery: a customer oriented relationship model, market leadership in terms of efficiency and competitive international operations.

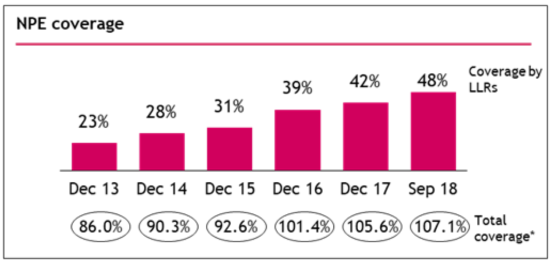
The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail and SME banking services market. The Bank’s main priority continues to be to improve the quality of its credit portfolio, reducing the stock of NPE (to 60% until 2021) and, simultaneously, reducing the cost of risk.

[2] Satisfaction in Net Promoter Score (NPS) = % promoters - % detractors.

BCP HAS SIGNIFICANTLY OUTPERFORMED ITS NPE REDUCTION PLAN







- Continued decrease of NPEs in Portugal over the last 4.75 years at a pace of €1.5bn per year (€7.2bn down from Dec 13 to Sep 18), as a result of a stabilisation of the macro environment and the measures implemented
- Actual NPE reduction of €4.6bn from year-end 2015 until end-September 2018 at the consolidated level, a significant outperformance vs the consolidated 3-year reduction target of €3bn for the 2016-2018 period. New reduction target set at €1bn per year for the 2019-2021 period
- Cost of risk at 102bps in 9M18 with NPE coverage by provision at 48% and total coverage* at 107% by Sep 18
- NPEs net from loan-loss reserves were down to €2.9 billion as at September 30, 2018 from €9.8 billion at year-end 2013
- Cost of risk at 88 bps and NPE coverage by provision at 51%, at a Group level
- Asset quality metrics to benefit further from continued focus on NPE reduction

* Coverage by LLRs, collateral and expected loss gap.

Financial Information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2018

On 1 January 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, particularly as regards the methodology for impairment calculation. The adoption of this accounting standard had an impact on the structure of the Millennium bcp financial statements compared to 31 December 2017, largely influenced by the adjustments associated with the transition, and did not materially affect the profit and loss account for the first nine months of 2018.

In this context, some indicators were defined according to management criteria intended to favour comparability with financial information of prior periods. Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

RESULTS

The net income of Millennium bcp reached Euro 257.5 million, in the first nine months of 2018, an 93.1% increase from Euro 133.3 million registered in the same period of the previous year, driven strongly by the performance of the activity in Portugal, also benefiting from the favourable performance of the international activity.

In the activity in Portugal, net income increased significantly compared to Euro 0.8 million achieved in the first nine months of 2017, totalling Euro 114.9 million in the same period of 2018, highlighting the significant reduction of impairments and provisions.

In the international activity, net income in the first nine months of 2018 stood at Euro 140.8 million increasing 7.2% from Euro 131.3 million registered in the same period of the previous year, benefitting from the favourable performance of the subsidiaries in Poland and Mozambique, despite the lower contribution from Banco Millennium Atlântico.

Net interest income totalled Euro 1,052.8 million in the first nine months of 2018, comparing favourably to Euro 1,023.2 million in the same period of the previous year.

In the activity in Portugal, net interest income stood at Euro 595.8 million in the first nine months of 2018 compared to Euro 591.8 million accounted in the same period of the previous year, benefiting from the reduction of the cost of funding, namely the decrease of the cost of issued debt and the decreasing trend in costs for term deposits, despite the reduction in the interest from loans and debt securities portfolios.

In the international activity, net interest income reached Euro 457.0 million in the first nine months of 2018, reflecting a 5.9% increase from the Euro 431.4 million registered in the same period of 2017, mainly due to the performance of the subsidiary in Poland and also, to a lesser extent, to the subsidiary in Mozambique.

Net interest margin in the first nine months of 2018 stood at 2.20%, compared to 2.17% (2.19%, excluding the impact from the cost of CoCos) in the same period of 2017.

AVERAGE BALANCES

Euro million

	30 Sep. 18		30 Sep. 17	
	Amount	Yield %	Amount	Yield %
Deposits in banks	2,611	0.85	2,937	0.91
Financial assets	13,013	2.22	11,090	2.27
Loans and advances to customers	47,498	3.18	48,033	3.30
INTEREST EARNING ASSETS	63,122	2.89	62,060	3.00
Non-interest earning assets	9,943		10,571	
	73,065		72,631	
Amounts owed to credit institutions	7,414	0.07	9,354	0.24
Resources from customers	52,852	0.59	50,363	0.66
Debt issued	2,820	1.76	3,188	2.88
Subordinated debt	1,135	5.86	941	6.87
INTEREST BEARING LIABILITIES	64,221	0.68	63,846	0.80
Non-interest bearing liabilities	1,955		2,166	
Shareholders' equity and non-controlling interests	6,889		6,619	
	73,065		72,631	
Net interest margin		2.20		2.17
Net interest margin (excl. cost of CoCos)				2.19

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

Net commissions evolved positively, from Euro 494.6 million in the first nine months of 2017 to Euro 510.1 million in the same period of 2018. This evolution mainly benefited from the favourable performance of the activity in Portugal, where net commissions rose 4.4%.

The evolution of net commissions in the first nine months of 2018 reflects the increase of both banking and market related commissions, which improved 2.4% and 6.5% respectively, from the figures booked in the same period of the previous year.

Net trading income totalled Euro 89.6 million in the first nine months of 2018, compared to Euro 115.0 million accounted in the same period the previous year, conditioned by the performance of the activity in Portugal, mainly due to loan sales.

Other net operating income, which, among others, includes the costs associated with mandatory contributions as well as with the Resolution Fund and the Deposit Guarantee Fund in both Portugal and international activity, was negative by Euro 90.3 million in the first nine months of 2018, comparing favourably to the also negative Euro 97.0 million accounted in the same period of the previous year, induced by the performance of the activity in Portugal.

In the activity in Portugal, other net operating income stood negative by Euro 45.6 million in the first nine months of 2018, showing an improvement compared to the also negative Euro 53.7 million registered in the same period of the previous year, mainly benefiting from the increased income associated with non-current assets held for sale, despite the increase of costs related to mandatory contributions. In the first nine months of 2018, these contributions totalled Euro 66.5 million compared to Euro 57.9 million in the same period of the previous year.

In the international activity, other net operating income was negative by Euro 44.7 million in the first nine months of 2018, which compares with the also negative Euro 43.3 million registered in the same period of the previous year. This evolution was conditioned by the increase of mandatory contributions, which stood at Euro 55.7 million in the first nine months of 2018 compared to Euro 53.2 million in the same period of 2017, supported by the Polish subsidiary. The performance of other net operating income also reflects the recognized gains related to real estate disposal and indemnity received in the first nine months of 2017 by the Polish subsidiary and, in 2018, the higher income from the subsidiary in Mozambique.

Dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, together with equity accounted earnings, were up 23.9% from the amount achieved in the first nine months of 2017, totalling Euro 72.5 million in the same period of 2018.

OTHER NET INCOME

Euro million

	9M 18	9M 17	Change 18/17
NET COMMISSIONS	510.1	494.6	3.1%
Banking commissions	418.3	408.5	2.4%
Cards and transfers	122.3	115.3	6.1%
Credit and guarantees	121.6	117.9	3.2%
Bancassurance	71.7	71.4	0.4%
Current account related	79.1	77.8	1.6%
Other commissions	23.6	26.1	-9.7%
Market related commissions	91.8	86.2	6.5%
Securities	59.0	54.7	7.7%
Asset management	32.8	31.4	4.4%
NET TRADING INCOME	89.6	115.0	-22.1%
OTHER NET OPERATING INCOME	(90.3)	(97.0)	6.9%
DIVIDENDS FROM EQUITY INSTRUMENTS	0.6	1.7	-64.9%
EQUITY ACCOUNTED EARNINGS	71.9	56.8	26.5%
TOTAL OTHER NET INCOME	581.8	571.1	1.9%
Other net income / Net operating revenues	35.6%	35.8%	

Operating costs, excluding the effect of specific items[3], stood at Euro 742.2 million in the first nine months of 2018, compared to Euro 718.3 million in the same period of the previous year.

In the activity in Portugal, operating costs, not considering the impact of specific items, totalled Euro 456.9 million in the first nine months of 2018, increasing 2.1% from the Euro 447.5 million accounted in the same period of 2017. This evolution was determined by the growth of staff costs mainly influenced by the salary replacement that occurred from July 2017 as well as, to a lesser extent, the higher level of depreciation costs, despite other administrative cost savings.

In the international activity, operating costs stood at Euro 285.3 million in the first nine months of 2018, increasing 5.4% from the amount accounted in the same period of the previous year, mainly due to the performance of the Polish subsidiary.

Staff costs, excluding the impact of specific items, totalled Euro 423.6 million in the first nine months of 2018 showing a 4.9% increase from the same period of previous year, justified by 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, totalled Euro 269.2 million in the first nine months of 2018, representing an increase of 4.0% from the amount of the same period of 2017. This increase was particularly influenced by the decision of the Board of Directors of the Bank to end, in advance, with effect from 30 June 2017, the temporary salary adjustment that had been in force since July 2014, following the full reimbursement of CoCos, despite the positive impact associated with the decrease of 151 employees, between the end of the third quarter of 2017 and 2018.

In the international activity, staff costs stood at Euro 154.4 million in the first nine months of 2018, showing an increase of 6.5% from the same period of the previous year, mainly due to the performance of the Polish subsidiary.

Other administrative costs amounted to Euro 275.8 million in the first nine months of 2018, in line with the amount accounted in the same period of the previous year (Euro 274.8 million), with the decrease of costs in the activity in Portugal offset by the growth of costs in the international activity.

[3] Negative impact of Euro 12.0 million in the first nine months of 2018, related to restructuring costs in the activity in Portugal and positive impact of Euro 23.7 million in the first nine months of 2017, related to restructuring costs and the revision of Collective Lab. Agt, also in the activity in Portugal, both in staff costs.

The reduction of other administrative costs in Portugal, -2.1% compared to the amounts registered in the first nine months of 2017, was driven by cost containment measures, namely the resizing of the distribution network (589 branches as at 30 September 2017, compared to 568 branches at the end of September 2018).

The evolution of other administrative costs in the international activity, reflects the higher level of costs reported by the subsidiaries in Poland and in Mozambique, compared to the amounts accounted in the first nine months of 2017.

Depreciation costs totalled Euro 42.9 million in the first nine months of 2018, which compares to Euro 39.7 million registered in the same period of the previous year, mainly reflecting the increase in depreciation costs in the activity in Portugal, in particularly those related to software and IT equipment, but also, to a lesser extent, in the international activity, mainly due to the subsidiary in Mozambique.

OPERATING COSTS

Euro million

	9M 18	9M 17	Change 18/17
Staff costs	423.6	403.8	4.9%
Other administrative costs	275.8	274.8	0.4%
Depreciation	42.9	39.7	8.0%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	742.2	718.3	3.3%
OPERATING COSTS	754.2	694.6	8.6%
Of which:			
Portugal activity (1)	456.9	447.5	2.1%
Foreign activity	285.3	270.8	5.4%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) showed a 26.5% reduction from Euro 458.6 million accounted in the first nine months of 2017, totalling Euro 337.1 million in the same period of 2018. In this evolution, it is worth noting the decrease in the activity in Portugal, but also the contribution of the international activity, which benefited from the favourable performance of all subsidiaries, highlighting the contribution of the operation in Poland and, to a lesser extent, the operation in Mozambique.

The Group's cost of risk (net) showed a favourable change, falling from 120 basis points in the first nine months of 2017 to 88 basis points in the same period of 2018.

Other impairment and provisions showed a significant decrease from Euro 169.9 million accounted in the first nine months of 2017, to Euro 94.2 million in the first nine months of 2018, determined essentially by the lower level of provisions required by other financial and non-financial assets of the Group, namely those related to real estate, despite the strengthening of provisions to guarantees and other commitments.

Income tax (current and deferred) totalled Euro 109.5 million in the first nine months of 2018, compared to Euro 63.1 million obtained in the same period of the previous year.

Income tax includes, in the first nine months of 2018, current tax costs of Euro 77.6 million (cost of Euro 82.8 million in the same period of 2017) and deferred tax costs of Euro 32.0 million (income of Euro 19.7 million in the first nine months of 2017).

BALANCE SHEET

Total assets rose to Euro 73,745 million as at 30 September 2018, compared to Euro 72,990 million registered at the same date of the previous year, reflecting essentially the growth of securities and loans to customers portfolios, partially offset by the reduction of loans and advances to credit institutions and of non-current assets held for sale, namely regarding foreclose assets.

Loans to customers (gross) stood at Euro 51,150 million as at 30 September 2018, compared to Euro 50,754 million as at 30 September 2017, boosted by the growth of the international activity.

In the activity in Portugal, loans to customers (gross) amounted to Euro 37,629 million as at 30 September 2018, comparing to Euro 37,947 million at the same date of the previous year.

The evolution of loans to customers in the activity in Portugal was determined, on the one hand, by an important reduction of NPE (Euro -1.6 billion from the end of September 2017, to Euro 5.5 billion as at 30 September 2018) and, on the other hand, by the 4.2% increase of performing loans in the same period.

In this context, it is worth noting the increase in new consumer and mortgage loans from the first nine months of 2017, largely supported by the significant development of digital channels in progress.

In the international activity, loans to customers (gross) amounted to Euro 13,521 million as at 30 September 2018, increasing 5.6% from Euro 12,807 million in the same date of the previous year, determined by the growth in the subsidiary in Poland.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of September 2017 and 2018, with loans to companies representing 46% of total loans to customers as at 30 September 2018.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 18	30 Sep. 17	Change 18/17
INDIVIDUALS	27,604	27,174	1.6%
Mortgage	23,640	23,406	1.0%
Consumer and others	3,965	3,768	5.2%
COMPANIES	23,546	23,580	-0.1%
Services	8,882	8,831	0.6%
Commerce	3,511	3,287	6.8%
Construction	2,208	2,624	-15.8%
Others	8,945	8,838	1.2%
TOTAL	51,150	50,754	0.8%
Of which:			
Portugal activity	37,629	37,947	-0.8%
Foreign activity	13,521	12,807	5.6%

Credit quality evolved favourably, improving the respective indicators. The ratios of overdue loans by more than 90 days, NPLs by more than 90 days and NPE as a percentage of total loans to customers saw a generalized decrease as of 30 September 2018 compared to the same date of the previous year, mainly supported by the performance of the domestic loan portfolio. At the same time, there was an increase of coverage for impairment, common to all indicators, with the reinforcement of the coverage of NPE for impairment assuming particular relevance, standing at 50.8% as at 30 September 2018, compared to 41.9% on the same date of 2017. In Portugal, the same ratio increased from 40.9% as at 30 September 2017 to 48.4% as at 30 September 2018.

CREDIT QUALITY INDICATORS

	Stock of loans (Euro million)		As percentage of loans to customers		Coverage by impairments	
	30 Sep. 18	30 Sep. 17	30 Sep. 18	30 Sep. 17	30 Sep. 18	30 Sep. 17
OVERDUE LOANS > 90 DAYS						
Group	2,462	3,109	4.8%	6.1%	130.3%	108.9%
Activity in Portugal	2,175	2,807	5.8%	7.4%	123.4%	104.5%
NON-PERFORMING LOANS (NPL) > 90 DAYS						
Group	3,792	4,729	7.4%	9.3%	84.5%	71.6%
Activity in Portugal	3,324	4,255	8.8%	11.2%	80.8%	68.9%
NON-PERFORMING EXPOSURES (NPE)						
Group	6,307	8,079	12.3%	15.9%	50.8%	41.9%
Activity in Portugal	5,546	7,168	14.7%	18.9%	48.4%	40.9%

Total customer funds[4] increased 5.5% from Euro 68,984 million booked as at 30 September 2017, reaching Euro 72,786 million at the same date of 2018, mainly benefiting from the performance of the activity in Portugal, but also from the positive performance of the international activity. The growth of customer funds reflects both, the performance of balance sheet customer funds, particularly deposits and other resources from customers, which increased 5.8% from September 2017, and of off-balance sheet customer funds, which went up 6.8% in the same period.

In the activity in Portugal, total customer funds increased 5.8% comparing to Euro 50,246 million registered at the end of September 2017, reaching Euro 53,171 million as at 30 September 2018, highlighting the Euro 2,146 million growth in deposits and other resources from customers and the Euro 1,051 million increase of off-balance sheet customer funds compared to the same date of the previous year.

Total customer funds in the international activity rose to Euro 19,614 million as at 30 September 2018, increasing 4.7% from Euro 18,738 million registered at 30 September 2017, based on the growth in deposits and other resources from customers, which registered an increase of 5.1%, boosted by the performance of the Polish subsidiary.

As at 30 September 2018, balance sheet customer funds represented 75% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, improved from 93% as at 30 September 2017 to 89% at the same date of 2018. The same ratio, considering on-balance sheet customers' funds, stood at 87% as at 30 September 2018 (91% as at 30 September 2017).

[4] As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to the end of September 2017 is presented according to the new criteria.

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 18	30 Sep. 17	Change 18/17
BALANCE SHEET CUSTOMER FUNDS	54,922	52,265	5.1%
Deposits and other resources from customers	53,624	50,690	5.8%
Debt securities	1,298	1,575	-17.6%
OFF-BALANCE SHEET CUSTOMER FUNDS	17,863	16,719	6.8%
Assets under management	5,291	4,903	7.9%
Assets placed with customers	4,151	3,707	12.0%
Insurance products (savings and investment)	8,421	8,109	3.8%
TOTAL	72,786	68,984	5.5%
Of which:			
Portugal Activity	53,171	50,246	5.8%
Foreign activity	19,614	18,738	4.7%

The securities portfolio stood at Euro 15,302 million as at 30 September 2018, compared to Euro 13,487 million posted as at 30 September 2017, representing 20.7% of total assets (18.5% at the same date of the previous year). This evolution was mainly due to the growth of the securities portfolio of the activity in Portugal, mainly from the increase in public debt portfolio, while the increase in the international activity was due to the operations in Mozambique and in Poland.

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 methodology 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 30 September 2017 on a comparable basis to the position reported at the same period 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.

As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive (DMIF II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 30 September of 2017 is presented according to the new criteria.

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 30 September 2018.

RETAIL BANKING

Million euros

RETAIL BANKING	30 Sep. 18	30 Sep. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	317	303	4.6%
Other net income	288	266	8.1%
	605	569	6.2%
Operating costs	353	341	3.5%
Impairment	15	55	-73.2%
Income before tax	237	173	37.0%
Income taxes	74	50	46.6%
Income after tax	163	123	33.0%
SUMMARY OF INDICATORS			
Allocated capital	971	774	25.5%
Return on allocated capital	22.5%	21.2%	
Risk weighted assets	8,468	6,722	26.0%
Cost to income ratio	58.3%	59.9%	
Loans to Customers (net of impairment charges)	21,064	20,747	1.5%
Total Customer funds	37,557	35,398	6.1%

Notes:

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

Income

As at 30 September 2018, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 163 million, showing a 33.0% growth compared to Euros 123 million in the same period of 2017. This favourable performance is mainly explained by lower impairment charges and by the increase in banking income, 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 Euros 317 million in 30 September 2018 and grew by 4.6% compared to the same period of 2017 (Euros 303 million), mainly influenced by the continuous decrease in costs associated to term deposits.

- Other net income rose up from Euros 266 million at the end of September 2017 to Euros 288 million in September 2018, showing an 8.1% increase.

- Operating costs went 3.5% up from September 2017, essentially reflecting the increase in staff costs as a result from the wage replacement occurred from July 2017.

- Impairment charges amounted to Euros 15 million by the end of September 2018, comparing favourably to Euros 55 million recorded in the same period of 2017, reflecting the progressive normalization of the cost of risk.

- In September 2018, loans to customers (net) totalled Euros 21,064 million, 1.5% up from the position at the end of September 2017 (Euros 20,747 million), while total customer funds increased by 6.1 % in the same period, amounting to Euros 37,557 million by the end of September 2018 (Euros 35,398 million recorded in September 2017), due to the relevant increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	30 Sep. 18	30 Sep. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	207	216	-4.0%
Other net income	106	109	-2.8%
	313	325	-3.6%
Operating costs	91	95	-4.5%
Impairment	315	331	-4.7%
Income before tax	(93)	(101)	-7.9%
Income taxes	(30)	(31)	-2.8%
Income after tax	(63)	(70)	-10.1%
SUMMARY OF INDICATORS			
Allocated capital	1,069	1,042	2.5%
Return on allocated capital	-7.9%	-9.0%	
Risk weighted assets	9,873	8,709	13.4%
Cost to income ratio	29.1%	29.4%	
Loans to Customers (net of impairment charges)	12,981	13,505	-3.9%
Total Customer funds	10,665	10,911	-2.3%

Notes:

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

Income

Income after tax from Companies, Corporate and Investment Banking segment in Portugal totalled Euros -63 million in the nine months of 2018 (-70 million Euros in the same period of 2017), showing the maintenance of a high level of impairment. The performance of this segment is globally explained by the following changes:

- Net interest income stood at Euros 207 million in September 2018, versus Euros 216 million 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 income reached Euros 106 million in September 2018, decreasing 2.8% from Euros 109 million accounted in the same period of 2017.

- Operating costs totalled Euros 91million by the end of September 2018, a 4.5% drop from September 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 due to the wage replacement.

- Impairment charges stood at Euros 315 million in the first nine months of 2018, 4.7% down from Euros 331 million recorded at the end of September 2017.

- As at September 2018, loans to customers (net) totalled Euros 12,981 million, 3.9% lower compared to the position existing in September 2017 (Euros 13,505 million), reflecting mostly the effort made to reduce the Non-Performing Exposures. Total customer funds reached Euros 10,665 million (Euros 10,911 million recorded in the same period of 2017), explained by the decrease in customers' deposits.

PRIVATE BANKING

Million euros

PRIVATE BANKING	30 Sep. 18	30 Sep. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	10	13	-23.8%
Other net income	20	16	27.5%
	30	29	4.2%
Operating costs	13	11	15.4%
Impairment	(2)	2	-172.3%
Income before tax	19	16	15.1%
Income taxes	6	5	22.9%
Income after tax	13	11	11.8%
SUMMARY OF INDICATORS			
Allocated capital	59	46	27.7%
Return on allocated capital	29.0%	33.1%	
Risk weighted assets	518	435	19.1%
Cost to income ratio	43.1%	39.0%	
Loans to Customers (net of impairment charges)	302	297	1.9%
Total Customer funds	6,527	5,516	18.3%

Notes:

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

Income

From a geographic segmentation perspective, income after tax from Private Banking business in Portugal totalled Euros 13 million in September 2018, a 11,8% growth comparing to Euros 11 million recorded in the same period of 2017, mainly due to the favourable performance of banking income and impairments, despite higher operating costs. Considering the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 30 million, 4.2% up from the same period of 2017 (Euros 29 million). Other net profits rose to Euros 20 million in September 2018, showing a relevant increase in comparison with Euros 16 million obtained in September 2017, mainly driven by the higher volume of income arising from commissions, which offset the lower level of net interest income (Euros 10 million in September 2018, comparing to Euros 13 million euros in September 2017), penalized namely by the lower income arising from internal placement of the liquidity surplus resulting from the activity of this segment.

- Operating costs amounted to Euros 13 million in September 2018, increasing over the same period of last year (Euros 11 million) influenced namely by the impact of the salary replacement in the staff costs since July 2017.

- Impairments reversals (net) accounted for Euros 2 million in the first nine months of 2018, comparing to impairment charges of Euros 2 million recorded at the end of September 2017.

- Loans to customers (net) amounted to Euros 302 million by the end of September 2018, an increase of 1.9% compared to figures accounted in the same period of 2017 (Euros 297 million), while total customer funds grew 18.3% in the same period, from Euros 5,516 million in September 2017 to Euros 6,527 million in September 2018, mainly due to the performance of assets under management and investment funds, although an increase in customer deposits was also observed.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	30 Sep. 18	30 Sep. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	453	421	7.4%
Other net income (*)	190	185	3.2%
	643	606	6.2%
Operating costs	285	271	5.4%
Impairment	65	70	-8.3%
Income before tax	293	265	10.8%
Income taxes	66	63	5.9%
Income after income tax	227	202	12.3%
SUMMARY OF INDICATORS			
Allocated capital	1,487	1,368	8.7%
Return on allocated capital	20.4%	19.8%	
Risk weighted assets	12,358	10,719	15.3%
Cost to income ratio	44.4%	44.7%	
Loans to Customers (net of impairment charges)	12,999	12,353	5.2%
Total Customer funds	19,614	18,738	4.7%

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

Income

In terms of geographic segments, income after tax from Foreign Business stood at Euros 227 million in September 2018, reflecting a 12.3% growth compared to Euros 202 million achieved in the same period of 2017. This positive evolution is mainly explained by the increase of the net interest income, by higher other net income and by lower level of impairments, whose favourable performance was mitigated by higher operating costs.
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 Euros 453 million in September 2018 which compares to Euros 421 million achieved in the first nine months 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 5.9%. Additionally, if the foreign exchange effects were also excluded, the increase would have been 6.0%, translating the positive performance of the subsidiaries in Poland, Mozambique and Switzerland.
- Other net income increased 3.2% (+8.6%, excluding foreign exchange effects), benefiting from the higher contribution of Banco Millennium Atlântico and from the positive performance presented by the Mozambican subsidiary.
- Operating costs amounted to Euros 285 million in September 2018, 5.4% up from the same period of 2017. This evolution was mainly due to Bank Millennium in Poland. Excluding foreign exchange effects, operating costs would have risen 5.7%, mainly influenced by the operations in Poland, Mozambique and Switzerland.
- Impairment charges, despite considering the negative impact arising from the application of IAS 29 on Banco Millennium Atlântico in the nine months of 2018 (Euros 12 million), decreased 8.3% compared to the figures from the same period of 2017; excluding this impact and foreign exchange effects, it would have dropped 24.9%, caused by all foreign subsidiaries.
- Loans to customers (net) stood at Euros 12,999 million, overcoming the position attained in September 2017 (Euros 12.353 million). Excluding foreign exchange effects, the loan portfolio increased 2.4%, since the growth achieved by the Polish subsidiary was mitigated by the contraction of credit volumes booked in Mozambican subsidiary.
- The Foreign business' total customer funds increased 5.2% from the Euros 18,738 million Euros reported on 30 September 2017, standing at Euros 19,614 million on 30 September 2018, mainly driven by the performance of the Polish subsidiary, namely by the increase of customers' deposits. Excluding the foreign exchange effects, total customer funds increased 4.0%.

Liquidity and Funding

The Liquidity Coverage Ratio (LCR) stood at 182% at the end of September 2018, on a consolidated basis, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity, having evolved favourably compared to the same date last year (158%).

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (NSFR; Net Stable Funding Ratio) as determined in 30 September 2018 to stand at 128% (124% as at 30 September 2017).

The consolidated wholesale financing decreased, between the end of September 2017 and the end of September 2018, mainly attributable to the reduction in liquidity needs due to the decrease of the commercial gap in Portugal and to the cash flow of the activity, partially offset by the increase in the sovereign debt portfolio. The decrease in liquidity needs was mainly seen in the reduction of repo in Portugal, and incorporated an increase in the balance of subordinated loans placed with institutional investors, through an operation occurred at the end of 2017.

The net funding with the ECB stood at Euro 3.1 billion as at 30 September 2018, decreasing from Euro 3.4 billion on the same date of the last year, standing at a materially lower level than the average balance observed in 2017. The liquidity buffer with the ECB, of Euro 12.5 billion, remained in line with the amount of the previous quarter and showed a Euro 3.4 billion reinforcement compared to the same date of the previous year. Considering 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 13.5 billion (Euro 10.6 billion at the end of September 2017).

Capital

The estimated CET1 ratio as at 30 September 2018 on a phased-in and on a fully implemented basis stood at 11.8%, -140 basis points and +10 basis points, respectively, comparing to the 13.2% and 11.7% ratios recorded in the same period of 2017 and above the minimum ratios defined in the SREP[5] for 2018 (CET1 8.81%, T1 10.31% and Total 12.31%).

The favourable evolution of CET1 on a fully implemented basis was mainly determined by net income, partially offset by the IFRS9 adoption impact, by the deduction of irrevocable payment commitments for the Single Resolution Fund and the Deposits Guarantee Fund and by the increase of the Risk Weighted Assets. The fully implemented total capital ratio additionally benefited from subordinated bond placements in Poland and Portugal.

SOLVENCY RATIOS

Euro million

	30 Sep. 18	30 Sep. 17
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	4,954	4,423
Tier 1	5,034	4,491
Total Capital	5,622	4,813
Risk weighted assets	42,108	37,910
Solvency ratios		
CET1	11.8%	11.7%
Tier 1	12.0%	11.8%
Total capital	13.4%	12.7%
PHASED-IN		
CET1	11.8%	13.2%

Note: The capital ratios as at September 2018 are estimated and include the positive accumulated net income.

The capital ratios as at September 2017 include the positive accumulated net income.

[5] Supervisory Review and Evaluation Process.

Strategy

Strategic Plan 2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and the compounding of multiple achievements, such as a 44% cost reduction in Portugal since 2011, and a 44% reduction in Group NPE since 2013 (from Euros 13.7 to Euros 7.7 billion in 2017). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is now ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity, and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leadership in Portugal, aiming to maximize the potential of the unique position in which the Bank emerges out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspire to capture the full potential of ActivoBank's simple and value-based offer and assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leadership in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging Chinarelated opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining as a clear priority the improvement of its credit portfolio quality, by reducing the NPE stock (60% reduction by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volume with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 mn active customers[6]), readiness for the future (from 45% to >60% digital customers by 2021), a sustainable business model (60% reduction of NPE stock, reaching ~Euros3 bn), and attractive returns for shareholders (~40% cost-to-income and ~10% ROE in 2021).

[6] Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

		9M18	2021
Franchise growth	Total active customers	4.8 million	>6 million
	Digital customers	55%	>60%
	Mobile customers	32%	>45%
Value creation	Cost-to-income	46%	~40%
	ROE	6.0%	~10%
	CET1	11.8%	~12%
	LTD	89%	<100%
	Dividend payout	--	~40%
Asset quality	NPE stock	€6.3 billion	€3.0 billion
	Cost-of-risk	88 bp	<50 bp

Regulatory Information

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Sep. 18	Sep. 17	Change 18/17	Sep. 18	Sep. 17	Change 18/17	Sep. 18	Sep. 17	Change 18/17
INCOME STATEMENT									
Net interest income	1,052.8	1,023.2	2.9%	595.8	591.8	0.7%	457.0	431.4	5.9%
Dividends from equity instruments	0.6	1.7	-64.9%	–	1.1	-100.1%	0.6	0.6	-1.0%
Net fees and commission income	510.1	494.6	3.1%	352.5	337.7	4.4%	157.6	157.0	0.4%
Net trading income	89.6	115.0	-22.1%	41.5	69.3	-40.1%	48.0	45.7	5.1%
Other net operating income	(90.3)	(97.0)	6.9%	(45.6)	(53.7)	15.0%	(44.7)	(43.3)	-3.2%
Equity accounted earnings	71.9	56.8	26.5%	43.1	32.4	33.1%	28.7	24.4	17.8%
Net operating revenues	**1,634.6**	**1,594.3**	**2.5%**	**987.4**	**978.6**	**0.9%**	**647.2**	**615.7**	**5.1%**
Staff costs	435.6	380.1	14.6%	281.2	235.2	19.5%	154.4	144.9	6.5%
Other administrative costs	275.8	274.8	0.4%	160.6	164.1	-2.1%	115.1	110.7	4.0%
Depreciation	42.9	39.7	8.0%	27.1	24.5	10.6%	15.8	15.2	3.9%
Operating costs	**754.2**	**694.6**	**8.6%**	**468.9**	**423.8**	**10.6%**	**285.3**	**270.8**	**5.4%**
Operating costs excluding specific items	742.2	718.3	3.3%	456.9	447.5	2.1%	285.3	270.8	5.4%
Profit before impairment and provisions	**880.3**	**899.7**	**-2.2%**	**518.5**	**554.8**	**-6.5%**	**361.9**	**344.9**	**4.9%**
Loans impairment (net of recoveries)	337.1	458.6	-26.5%	288.5	390.0	-26.0%	48.6	68.6	-29.2%
Other impairment and provisions	94.2	169.9	-44.5%	78.6	168.5	-53.4%	15.7	1.4	>200%
Profit before income tax	**449.0**	**271.2**	**65.6%**	**151.3**	**(3.6)**	**>200%**	**297.6**	**274.8**	**8.3%**
Income tax	109.5	63.1	73.5%	42.8	(0.9)	>200%	66.7	64.0	4.2%
Income after income tax from continuing operations	**339.5**	**208.1**	**63.1%**	**108.6**	**(2.7)**	**>200%**	**230.9**	**210.8**	**9.5%**
Income arising from discontinued operations	1.8	1.3	40.0%	–	–	-	–	–	-
Non-controlling interests	83.8	76.0	10.2%	(6.3)	(3.5)	-81.8%	90.1	79.5	13.3%
Net income	**257.5**	**133.3**	**93.1%**	**114.9**	**0.8**	**>200%**	**140.8**	**131.3**	**7.2%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	73,745	72,990	1.0%	53,364	53,436	-0.1%	20,381	19,554	4.2%
Total customer funds (1)	**72,786**	**68,984**	**5.5%**	**53,171**	**50,246**	**5.8%**	**19,614**	**18,738**	**4.7%**
Balance sheet customer funds	**54,922**	**52,265**	**5.1%**	**38,625**	**36,750**	**5.1%**	**16,297**	**15,515**	**5.0%**
Deposits and other resources from customers	53,624	50,690	5.8%	37,427	35,281	6.1%	16,198	15,410	5.1%
Debt securities	1,298	1,575	-17.6%	1,198	1,469	-18.5%	100	105	-5.1%
Off-balance sheet customer funds	**17,863**	**16,719**	**6.8%**	**14,547**	**13,496**	**7.8%**	**3,317**	**3,223**	**2.9%**
Assets under management	5,291	4,903	7.9%	3,058	2,571	19.0%	2,233	2,333	-4.3%
Assets placed with customers	4,151	3,707	12.0%	3,595	3,320	8.3%	556	386	43.8%
Insurance products (savings and investment)	8,421	8,109	3.8%	7,893	7,605	3.8%	528	504	4.8%
Loans to customers (gross)	**51,150**	**50,754**	**0.8%**	**37,629**	**37,947**	**-0.8%**	**13,521**	**12,807**	**5.6%**
Individuals	**27,604**	**27,174**	**1.6%**	**19,148**	**19,217**	**-0.4%**	**8,456**	**7,957**	**6.3%**
Mortgage	23,640	23,406	1.0%	17,141	17,203	-0.4%	6,499	6,202	4.8%
Consumer and others	3,965	3,768	5.2%	2,008	2,013	-0.3%	1,957	1,755	11.5%
Companies	**23,546**	**23,580**	**-0.1%**	**18,481**	**18,730**	**-1.3%**	**5,066**	**4,850**	**4.4%**
CREDIT QUALITY									
Total overdue loans	2,566	3,216	-20.2%	2,213	2,868	-22.8%	352	349	1.0%
Overdue loans by more than 90 days	2,462	3,109	-20.8%	2,175	2,807	-22.5%	287	302	-4.9%
Overdue loans by more than 90 days / Loans to customers	4.8%	6.1%		5.8%	7.4%		2.1%	2.4%	
Total impairment (balance sheet)	3,206	3,387	-5.3%	2,684	2,932	-8.5%	522	455	14.9%
Total impairment (balance sheet) / Loans to customers	6.3%	6.7%		7.1%	7.7%		3.9%	3.6%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	130.3%	108.9%		123.4%	104.5%		182.1%	150.8%	
Non-Performing Exposures	6,307	8,079	-21.9%	5,546	7,168	-22.6%	761	911	-16.5%
Non-Performing Exposures / Loans to customers	12.3%	15.9%		14.7%	18.9%		5.6%	7.1%	
Restructured loans	3,934	4,509	-12.8%	3,390	3,954	-14.3%	544	555	-2.0%
Restructured loans / Loans to customers	7.7%	8.9%		9.0%	10.4%		4.0%	4.3%	
Cost of risk (net of recoveries, in b.p.)	88	120		102	137		49	71	
Cost-to-income (2)	45.4%	45.1%		46.3%	45.7%		44.1%	44.0%	

(1) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 30 September 2017 is presented according to the new criteria.
(2) Excludes the impact of specific itens.

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		
	30 September 2018	30 September 2017	Var. (%)	30 September 2018	30 September 2017	Var. (%)
ASSETS (NET)						
Loans to other credit institutions [1]	2,306,500,282	2,296,014,143	0.46%	1,198,507,101	1,918,702,006	-37.54%
Loans to clients	33,354,879,864	33,188,752,794	0.50%	47,665,384,344	47,367,178,384	0.63%
Fixed income securities	6,736,802,835	6,712,859,932	0.36%	13,473,892,939	11,555,585,373	16.60%
Variable yield securities	2,444,776,020	2,764,813,715	-11.58%	1,827,725,994	1,931,274,208	-5.36%
Investments	3,207,496,275	3,358,302,959	-4.49%	488,174,989	612,806,692	-20.34%
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	-	-	-	82,553	79,413	3.95%
Nº of voting shares	-	-	-	323,738	323,738	-
Nº of preferred, non voting shares	-	-	-	-	-	-
Subordinated loans	840,665,996	718,791,226	16.96%	1,097,692,193	858,167,347	27.91%
Minority interests	-	-	-	1,136,035,528	1,006,169,414	12.91%
LIABILITIES						
Amounts owed to credit institutions	8,032,657,691	9,814,529,211	-18.16%	7,563,524,083	9,185,514,468	-17.66%
Amounts owed to clients	36,831,874,181	35,149,261,373	4.79%	53,624,370,354	50,690,359,477	5.79%
Debt securities	2,196,459,727	2,457,855,276	-10.64%	2,675,776,470	3,096,180,907	-13.58%
TOTAL ASSETS (NET)	54,885,023,044	55,522,129,071	-1.15%	73,744,604,506	72,989,729,969	1.03%
TOTAL SHAREHOLDER'S EQUITY	5,638,385,319	5,881,641,347	-4.14%	5,808,616,013	6,051,878,902	-4.02%
TOTAL LIABILITIES	49,246,637,725	49,640,487,724	-0.79%	66,799,952,965	65,931,681,653	1.32%

INCOME STATEMENTS ITEMS

(Euros)

	Individual			Consolidated		
	30 September 2018	30 September 2017	Var. (%)	30 September 2018	30 September 2017	Var. (%)
Financial Margin [2]	578,110,992	580,251,993	-0.37%	1,052,805,108	1,023,201,728	2.89%
Commissions and other oper. revenue (net)	311,063,152	299,717,035	3.79%	421,479,049	398,869,949	5.67%
Securities yield and profits from financial transactions (net)	219,393,824	115,678,389	89.66%	95,243,329	68,200,033	39.65%
Banking Income	1,108,567,968	995,647,417	11.34%	1,569,527,486	1,490,271,710	5.32%
Personnel, administ. and other costs	(446,817,441)	(404,268,118)	10.53%	(711,328,456)	(654,882,110)	8.62%
Amortizations	(24,069,456)	(21,356,689)	12.70%	(42,895,563)	(39,714,829)	8.01%
Impairment and Provisions (net of adjustments)	(519,476,382)	(597,916,271)	-13.12%	(436,424,691)	(580,017,830)	-24.76%
Extraordinary profit	-	-	-	-	-	-
Profit before taxes	118,204,689	(27,893,661)	-	378,878,776	215,656,941	75.69%
Income tax [3]	(30,733,620)	217,519	-	(109,505,301)	(63,110,815)	73.51%
Minority interests and income excluded from consolidation	-	-	-	(11,904,743)	(19,236,977)	-38.12%
Net profit / loss for the quarter	87,471,069	(27,676,142)	-	257,468,732	133,309,149	93.14%
Net profit / loss per share for the quarter	0.0058	-0.0018	-	0.0170	0.0088	93.14%
Self financing [4]	631,016,907	591,596,818	6.66%	736,788,986	753,041,808	-2.16%

(1) Includes repayable on demand to credit institutions
(2) Financial margin = Interest income - Interest expense
(3) Estimated income tax
(4) Self financing = Net profits + amortization + provision

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	30 SEPTEMBER 2018	30 SEPTEMBER 2017 (*)
Interest income	1,407,861	1,431,812
Interest expense	(355,056)	(408,610)
NET INTEREST INCOME	1,052,805	1,023,202
Dividends from equity instruments	592	1,686
Net fees and commissions income	510,068	494,640
Net gains / (losses) from financial operations at fair value through profit or loss	12,315	17,848
Net gains / (losses) from foreign exchange	53,846	63,402
Net gains / (losses) from hedge accounting operations	(1,547)	(6,672)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(21,598)	(3,927)
Net gains / (losses) from derecognition of financial assets at fair value		
through other comprehensive income	46,560	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	44,348
Net gains / (losses) from insurance activity	4,001	3,668
Other operating income / (losses)	(121,592)	(102,147)
TOTAL OPERATING INCOME	1,535,450	1,536,048
Staff costs	435,551	380,118
Other administrative costs	275,778	274,764
Amortizations and depreciations	42,896	39,715
TOTAL OPERATING EXPENSES	754,225	694,597
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	781,225	841,451
Impairment for financial assets at amortised cost	(335,668)	(458,594)
Impairment for financial assets at fair value		
through other comprehensive income	3,643	n.a.
Impairment for financial assets available for sale	n.a.	(48,485)
Impairment for other assets	(68,398)	(103,046)
Other provisions	(30,928)	(18,378)
NET OPERATING INCOME	349,874	212,948
Share of profit of associates under the equity method	71,868	56,791
Gains / (losses) arising from sales of subsidiaries and other assets	27,255	1,459
NET INCOME BEFORE INCOME TAXES	448,997	271,198
Income taxes		
Current	(77,550)	(82,831)
Deferred	(31,955)	19,720
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	339,492	208,087
Income arising from discontinued or discontinuing operations	1,750	1,250
NET INCOME AFTER INCOME TAXES	341,242	209,337
Net income for the period attributable to:		
Bank's Shareholders	257,469	133,309
Non-controlling interests	83,773	76,028
NET INCOME FOR THE PERIOD	341,242	209,337
Earnings per share (in Euros)		
Basic	0.023	0.014
Diluted	0.023	0.014

(*) The balances for the nine months period ended 30 September 2017, correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2018 AND 2017 AND 31 DECEMBER 2017

(Thousands of euros)

	30 SEPTEMBER 2018	31 DECEMBER 2017 (*)	30 SEPTEMBER 2017 (*)
ASSETS			
Cash and deposits at Central Banks	2,192,517	2,167,934	2,144,795
Loans and advances to credit institutions repayable on demand	330,321	295,532	1,113,371
Financial assets at amortised cost			
Loans and advances to credit institutions	868,186	1,065,568	805,331
Loans and advances to customers	45,355,357	45,625,972	45,199,645
Debt instruments	3,347,745	2,007,520	2,167,534
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,024,778	897,734	922,677
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,460	n.a.	n.a.
Financial assets designated at fair value through profit or loss	32,921	142,336	142,253
Financial assets at fair value through other comprehensive income	12,063,815	n.a.	n.a.
Financial assets available for sale	n.a.	11,471,847	11,914,693
Financial assets held to maturity	n.a.	411,799	436,278
Assets with repurchase agreement	15,531	-	70,959
Hedging derivatives	76,598	234,345	165,322
Investments in associated companies	488,175	571,362	612,807
Non-current assets held for sale	1,940,000	2,164,567	2,286,122
Investment property	12,020	12,400	14,234
Other tangible assets	484,236	490,423	478,975
Goodwill and intangible assets	168,745	164,406	164,560
Current tax assets	12,892	25,914	7,583
Deferred tax assets	2,945,304	3,137,767	3,135,169
Other assets	980,005	1,052,024	1,207,424
TOTAL ASSETS	73,744,606	71,939,450	72,989,732
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,563,524	7,487,357	9,185,514
Resources from customers	50,760,519	48,285,425	47,825,589
Non subordinated debt securities issued	1,707,696	2,066,538	2,187,133
Subordinated debt	1,097,692	1,169,062	858,167
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	310,597	399,101	461,807
Financial liabilities at fair value through profit or loss	3,831,932	3,843,645	3,773,817
Hedging derivatives	170,474	177,337	216,295
Provisions	331,896	324,158	340,989
Current tax liabilities	4,742	12,568	8,835
Deferred tax liabilities	4,993	6,030	2,235
Other liabilities	1,015,889	988,493	1,071,303
TOTAL LIABILITIES	66,799,954	64,759,714	65,931,684
EQUITY			
Share capital	5,600,738	5,600,738	5,600,738
Share premium	16,471	16,471	16,471
Preference shares	59,910	59,910	59,910
Other equity instruments	2,922	2,922	2,922
Legal and statutory reserves	264,608	252,806	252,806
Treasury shares	(291)	(293)	(282)
Reserves and retained earnings	(393,211)	(38,130)	(13,995)
Net income for the period attributable to Bank's Shareholders	257,469	186,391	133,309
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,808,616	6,080,815	6,051,879
Non-controlling interests	1,136,036	1,098,921	1,006,169
TOTAL EQUITY	6,944,652	7,179,736	7,058,048
	73,744,606	71,939,450	72,989,732

(*) The balances as at 31 December 2017 and 30 September 2017, correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the above-mentioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customer (net) / Balance sheet customer funds

Relevance of the indicator: loans to deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Euro million

		Sep. 18	Sep. 17
Loans to customers (net) (1)		47,944	47,367
Balance sheet customer funds (2)		54,922	52,265
	(1) / (2)	87%	91%

2) Return on average assets (ROA)

Relevance of the indicator: it allows evaluation of the level of efficiency of the Group, measuring its capacity to generate results with the volume of available assets.

Euro million

		9M 18	9M 17
Net income (1)		257	133
Non-controlling interests 2)		84	76
Average total assets (3)		73,065	72,631
	[(1) + (2), annualised] / (3)	0.6%	0.4%

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Euro million

		9M 18	9M 17
Net income (1)		257	133
Average equity (2)		5,736	5,590
	[(1), annualised] / (2)	6.0%	3.2%

4) Cost to income

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group, evaluating the volume of operating costs (excluding specific items) to generate net operating revenues.

Euro million

		9M 18	9M 17
Operating costs (1)		754	695
Specific items (2)		12	-24
Net operating revenues (3)		1,635	1,594
	[(1) - (2)] / (3)	45.4%	45.1%

5) Cost of risk, net of recoveries (expressed in basis points, annualised)

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges (net of reversals and recoveries of credit and interest) recognized in the period and the stock of loans to customers at the end of that period.

Euro million

		9M 18	9M 17
Loans to customers at amortised cost, before impairment (1)		50,856	50,754
Loan impairment charges (net of recoveries) (2)		337	459
	[(2), annualised] / (1)	88	120

6) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows to assess the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans to customers total portfolio (gross).

Euro million

		Sep. 18	Sep. 17
Non-Performing Exposures (1)		6,307	8,079
Loans to customers (gross) (2)		51,150	50,754
	(1) / (2)	12.3%	15.9%

7) Coverage of non-performing exposures (NPE) by balance sheet impairment

Relevance of the indicator: it allows assessing the level of coverage of the NPE portfolio by balance sheet impairment.

Euro million

		Sep. 18	Sep. 17
Non-Performing Exposures (1)		6,307	8,079
Loans impairments (balance sheet) (2)		3,206	3,387
	(2) / (1)	50.8%	41.9%

Reconciliation of accounting information with the management criteria of the Group

1) Loans to customers

Euro million

	Sep. 18
Loans to customers at amortised cost (disclosed Balance Sheet)	45,355
Debt instruments at amortised cost associated to credit operations	2,310
Balance sheet amount of loans to customers at fair value through profit or loss	279
Loan to customers (net) considering management criteria	47,944
Balance sheet impairment related to loans to customers at amortised cost	3,149
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	41
Fair value adjustments related to loans to customers at fair value through profit or loss	16
Loan to customers (gross) considering management criteria	51,150

2) Loans impairment (P&L)

Euro million

	9M 18
Impairment of financial assets at amortised cost (disclosed P&L) (1)	336
Impairment of financial assets at amortised cost not associated with credit operations (2)	-1
Loans impairment considering management criteria* (1)-(2)	337

* Includes impairment for loans and advances to credit institutions (0.4M€), which is excluded for purposes of cost of risk calculation.

3) Balance sheet customer funds

Euro million

	Sep. 18
Financial liabilities at fair value through profit or loss (disclosed Balance sheet)	3,832
Debt securities at fair value through profit or loss and certificates	-968
Customer deposits at fair value through profit or loss considering management criteria	2,864
Resources from customers at amortised cost (disclosed Balance sheet)	50,761
Deposits and other resources from customers considering management criteria (1)	53,624
Non subordinated debt securities issued at amortised cost (disclosed Balance sheet)	1,708
Debt securities at fair value through profit or loss and certificates	968
Non subordinated debt securities placed with institucional customers	-1,378
Debt securities placed with customers considering management criteria (2)	1,298
Balance sheet customer funds considering management criteria (1)+(2)	54,922

4) Securities portfolio

Euro million

	Sep. 18
Debt instruments at amortised cost (disclosed Balace sheet)	3,348
Debt instruments at amortised cost associated to credit operations net of impairment	-2,310
Debt instruments at amortised cost considering management criteria (1)	**1,038**
Financial assets not held for trading mandatorily at fair value through profit or loss (disclosed Balance sheet)	1,405
Balance sheet amount of loans to customers at fair value through profit or loss	-279
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,127**
Financial assets held for trading (disclosed Balance sheet) (3)	1,025
Financial assets designated at fair value through profit or loss (disclosed Balance sheet) (4)	33
Financial assets at fair value through other comprehensive income (disclosed Balance sheet) (5)	12,064
Assets with repurchase agreement (disclosed Balance sheet) (6)	16
Securities portfolio considering management criteria (1)+(2)+(3)+(4)+(5)+(6)	**15,302**

Glossary and alternative performance measures

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

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 - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loan impairment charges for loans to customers at amortised cost and debt instruments at amortised cost related to credit operations (net of recoveries) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment.

Cost to core income - operating costs divided by core income.

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

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

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

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

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 and, until 2017, financial assets available for sale.

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.

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

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment of financial assets at amortised cost for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations 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, debt instruments at amortised cost associated to credit operations 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 deposits and other resources from customers.

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, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale (till 2017).

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets from customers under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

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

Other impairment and provisions – impairment of financial assets (at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in this case till 2017), other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income 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 – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

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

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

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 (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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 and off-balance sheet customer fund

Consolidated Accounts and Notes for the nine months ended 30 September 2018

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	Notes	30 September 2018	30 September 2017 (*)
Interest income	2	1,407,861	1,431,812
Interest expense	2	(355,056)	(408,610)
NET INTEREST INCOME		1,052,805	1,023,202
Dividends from equity instruments	3	592	1,686
Net fees and commissions income	4	510,068	494,640
Net gains / (losses) from financial operations at fair value through profit or loss	5	12,315	17,848
Net gains / (losses) from foreign exchange	5	53,846	63,402
Net gains / (losses) from hedge accounting operations	5	(1,547)	(6,672)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(21,598)	(3,927)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	46,560	n.a.
Net gains / (losses) from financial assets available for sale	5	n.a.	44,348
Net gains / (losses) from insurance activity		4,001	3,668
Other operating income / (losses)	6	(121,592)	(102,147)
TOTAL OPERATING INCOME		1,535,450	1,536,048
Staff costs	7	435,551	380,118
Other administrative costs	8	275,778	274,764
Amortizations and depreciations	9	42,896	39,715
TOTAL OPERATING EXPENSES		754,225	694,597
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		781,225	841,451
Impairment for financial assets at amortised cost	10	(335,668)	(458,594)
Impairment for financial assets at fair value through other comprehensive income	11	3,643	n.a.
Impairment for financial assets available for sale	11	n.a.	(48,485)
Impairment for other assets	12	(68,398)	(103,046)
Other provisions	13	(30,928)	(18,378)
NET OPERATING INCOME		349,874	212,948
Share of profit of associates under the equity method	14	71,868	56,791
Gains / (losses) arising from sales of subsidiaries and other assets	15	27,255	1,459
NET INCOME BEFORE INCOME TAXES		448,997	271,198
Income taxes			
Current	31	(77,550)	(82,831)
Deferred	31	(31,955)	19,720
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		339,492	208,087
Income arising from discontinued or discontinuing operations	16	1,750	1,250
NET INCOME AFTER INCOME TAXES		341,242	209,337
Net income for the period attributable to:			
Bank's Shareholders		257,469	133,309
Non-controlling interests	45	83,773	76,028
NET INCOME FOR THE PERIOD		341,242	209,337
Earnings per share (in Euros)			
Basic	17	0.023	0.014
Diluted	17	0.023	0.014

(*) The balances for the nine months periods ended 30 September 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 57).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	Third quarter 2018	Third quarter 2017 (*)
Interest income	471,912	475,230
Interest expense	(106,762)	(130,527)
NET INTEREST INCOME	365,150	344,703
Dividends from equity instruments	(28)	81
Net fees and commissions income	169,854	164,316
Net gains / (losses) from financial operations at fair value through profit or loss	(3,912)	(666)
Net gains / (losses) from foreign exchange	17,054	23,505
Net gains / (losses) from hedge accounting operations	(2,948)	(4,888)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	1,002	(5,896)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	1,362	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	13,040
Net gains / (losses) from insurance activity	2,346	955
Other operating income / (losses)	(18,169)	(16,278)
TOTAL OPERATING INCOME	531,711	518,872
Staff costs	145,776	138,638
Other administrative costs	93,104	92,155
Amortizations and depreciations	14,545	13,596
TOTAL OPERATING EXPENSES	253,425	244,389
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	278,286	274,483
Impairment for financial assets at amortised cost	(116,254)	(153,604)
Impairment for financial assets at fair value through other comprehensive income	(8)	n.a.
Impairment for financial assets available for sale	n.a.	(16,559)
Impairment for other assets	(26,925)	(32,769)
Other provisions	(8,360)	(10,269)
NET OPERATING INCOME	126,739	61,282
Share of profit of associates under the equity method	30,485	21,687
Gains / (losses) from sales of subsidiaries and other assets	15,601	4,925
NET INCOME BEFORE INCOME TAXES	172,825	87,894
Income taxes		
Current	(27,645)	(28,283)
Deferred	(9,965)	8,611
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	135,215	68,222
Income arising from discontinued or discontinuing operations	-	-
NET INCOME AFTER INCOME TAXES	135,215	68,222
Net income for the period attributable to:		
Bank's Shareholders	106,826	43,381
Non-controlling interests	28,389	24,841
NET INCOME FOR THE PERIOD	135,215	68,222

(*) The balances for the three months period between 1 July and 30 September 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	30 September 2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	339,492	1,750	341,242	257,469	83,773
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(15,139)	-	(15,139)	(18,428)	3,289
Reclassification of (gains) / losses to profit or loss	(46,560)	-	(46,560)	(44,719)	(1,841)
Cash flows hedging					
Gains / (losses) for the period	11,911	-	11,911	8,417	3,494
Other comprehensive income from investments in associates and others	(3,134)	-	(3,134)	(3,064)	(70)
Exchange differences arising on consolidation	(126,229)	-	(126,229)	(102,031)	(24,198)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 44)	14,256	-	14,256	14,256	-
Others	(1,151)	-	(1,151)	(1,151)	-
Fiscal impact	13,106	-	13,106	14,046	(940)
	(152,940)	-	(152,940)	(132,674)	(20,266)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	1,867	-	1,867	1,943	(76)
Changes in credit risk of financial liabilities at fair value through profit or loss	1,321	-	1,321	1,321	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(10,417)	-	(10,417)	(10,417)	-
Pension Fund - other associated companies	696	-	696	696	-
Fiscal impact	(17,456)	-	(17,456)	(17,471)	15
	(23,989)	-	(23,989)	(23,928)	(61)
Other comprehensive income / (loss) for the period	(176,929)	-	(176,929)	(156,602)	(20,327)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	162,563	1,750	164,313	100,867	63,446

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 September 2017 (*)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE PERIOD	208,087	1,250	209,337	133,309	76,028
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Available-for-sale financial assets					
Gains / (losses) for the period	316,949	-	316,949	302,825	14,124
Reclassification of (gains) / losses to profit or loss	(44,348)	-	(44,348)	(43,836)	(512)
Cash flows hedging					
Gains / (losses) for the period	(18,613)	-	(18,613)	(27,394)	8,781
Exchange differences arising on consolidation	23,635	-	23,635	(708)	24,343
Fiscal impact	(60,922)	-	(60,922)	(56,930)	(3,992)
	216,701	-	216,701	173,957	42,744
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	74,664	-	74,664	74,664	-
Pension Fund - other associated companies	(2,658)	-	(2,658)	(2,658)	-
Fiscal impact	(7,773)	-	(7,773)	(7,773)	-
	64,233	-	64,233	64,233	-
Other comprehensive income / (loss) for the period	280,934	-	280,934	238,190	42,744
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	489,021	1,250	490,271	371,499	118,772

(*) The balances as at 30 September 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 57).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	Third quarter 2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	135,215	-	135,215	106,826	28,389
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(7,007)	-	(7,007)	(7,471)	464
Reclassification of (gains) / losses to profit or loss	(1,362)	-	(1,362)	(536)	(826)
Cash flows hedging					
Gains / (losses) for the period	(47,529)	-	(47,529)	(48,481)	952
Other comprehensive income from investments in associates and others	(4,345)	-	(4,345)	(4,377)	32
Exchange differences arising on consolidation	(7,543)	-	(7,543)	(22,514)	14,971
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 44)	4,009	-	4,009	4,009	-
Others	(417)	-	(417)	(417)	-
Fiscal impact	17,054	-	17,054	17,169	(115)
	(47,140)	-	(47,140)	(62,618)	15,478
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(708)	-	(708)	(663)	(45)
Changes in credit risk of financial liabilities at fair value through profit or loss	(563)	-	(563)	(563)	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(37,149)	-	(37,149)	(37,149)	-
Pension Fund - other associated companies	(122)	-	(122)	(122)	-
Fiscal impact	723	-	723	714	9
	(37,819)	-	(37,819)	(37,783)	(36)
Other comprehensive income / (loss) for the period	(84,959)	-	(84,959)	(100,401)	15,442
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	50,256	-	50,256	6,425	43,831

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	Third quarter 2017 (*)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE PERIOD	68,222	-	68,222	43,381	24,841
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Available-for-sale financial assets					
Gains / (losses) for the period	89,505	-	89,505	83,802	5,703
Reclassification of (gains) / losses to profit or loss	(13,040)	-	(13,040)	(13,040)	-
Cash flows hedging					
Gains / (losses) for the period	25,839	-	25,839	19,162	6,677
Exchange differences arising on consolidation	(45,131)	-	(45,131)	(23,111)	(22,020)
Fiscal impact	(26,621)	-	(26,621)	(22,629)	(3,992)
	30,552	-	30,552	44,184	(13,632)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	28,740	-	28,740	28,740	-
Pension Fund - other associated companies	(763)	-	(763)	(763)	-
Fiscal impact	(3,807)	-	(3,807)	(3,807)	-
	24,170	-	24,170	24,170	-
Other comprehensive income / (loss) for the period	54,722	-	54,722	68,354	(13,632)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	122,944	-	122,944	111,735	11,209

(*) The balances for the three months period between 1 July and 30 September 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

(Thousands of euros)

	Notes	30 September 2018	31 December 2017 (*)
ASSETS			
Cash and deposits at Central Banks	18	2,192,517	2,167,934
Loans and advances to credit institutions repayable on demand	19	330,321	295,532
Financial assets at amortised cost			
Loans and advances to credit institutions	20	868,186	1,065,568
Loans and advances to customers	21	45,355,357	45,625,972
Debt instruments	22	3,347,745	2,007,520
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,024,778	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,405,460	n.a.
Financial assets designated at fair value through profit or loss	23	32,921	142,336
Financial assets at fair value through other comprehensive income	23	12,063,815	n.a.
Financial assets available for sale	23	n.a.	11,471,847
Financial assets held to maturity	24	n.a.	411,799
Assets with repurchase agreement		15,531	-
Hedging derivatives	25	76,598	234,345
Investments in associated companies	26	488,175	571,362
Non-current assets held for sale	27	1,940,000	2,164,567
Investment property	28	12,020	12,400
Other tangible assets	29	484,236	490,423
Goodwill and intangible assets	30	168,745	164,406
Current tax assets		12,892	25,914
Deferred tax assets	31	2,945,304	3,137,767
Other assets	32	980,005	1,052,024
TOTAL ASSETS		73,744,606	71,939,450
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	33	7,563,524	7,487,357
Resources from customers	34	50,760,519	48,285,425
Non subordinated debt securities issued	35	1,707,696	2,066,538
Subordinated debt	36	1,097,692	1,169,062
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	310,597	399,101
Financial liabilities at fair value through profit or loss	38	3,831,932	3,843,645
Hedging derivatives	25	170,474	177,337
Provisions	39	331,896	324,158
Current tax liabilities		4,742	12,568
Deferred tax liabilities	31	4,993	6,030
Other liabilities	40	1,015,889	988,493
TOTAL LIABILITIES		66,799,954	64,759,714
EQUITY			
Share capital	41	5,600,738	5,600,738
Share premium	41	16,471	16,471
Preference shares	41	59,910	59,910
Other equity instruments	41	2,922	2,922
Legal and statutory reserves	42	264,608	252,806
Treasury shares	43	(291)	(293)
Reserves and retained earnings	44	(393,211)	(38,130)
Net income for the period attributable to Bank's Shareholders		257,469	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,808,616	6,080,815
Non-controlling interests	45	1,136,036	1,098,921
TOTAL EQUITY		6,944,652	7,179,736
TOTAL LIABILITIES AND EQUITY		73,744,606	71,939,450

(*) The balances as at 31 December 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 57).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	30 September 2018	30 September 2017 (*)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,236,022	1,252,499
Commissions received	651,130	617,500
Fees received from services rendered	58,979	99,792
Interests paid	(325,189)	(390,343)
Commissions paid	(103,908)	(103,287)
Recoveries on loans previously written off	8,425	12,920
Net earned insurance premiums	14,795	14,998
Claims incurred of insurance activity	(6,544)	(7,938)
Payments (cash) to suppliers and employees	(882,780)	(817,231)
Income taxes (paid) / received	(47,826)	(95,535)
	603,104	583,375
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	144,086	238,346
Deposits held with purpose of monetary control	50,114	12,411
Loans and advances to customers receivable	(922,267)	183,096
Short term trading account securities	(200,440)	(17,778)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	39,309	(6,108)
Deposits from credit institutions with agreed maturity date	56,199	(745,060)
Loans and advances to customers repayable on demand	3,266,373	2,537,146
Deposits from customers with agreed maturity date	(824,608)	(575,763)
	2,211,870	2,209,665
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Acquisition of investments in subsidiaries and associated companies	-	(787)
Dividends received	67,169	48,790
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	222,728	n.a.
Sale of financial assets at fair value through other comprehensive income and at amortised cost	4,331,558	n.a.
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(44,364,628)	n.a.
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	37,703,120	n.a.
Interest income from financial assets available for sale and financial assets held to maturity	n.a.	186,094
Sale of financial assets available for sale and financial assets held to maturity	n.a.	4,727,819
Acquisition of financial assets available for sale and financial assets held to maturity	n.a.	(26,065,135)
Maturity of financial assets available for sale and financial assets held to maturity	n.a.	20,495,207
Acquisition of tangible and intangible assets	(47,530)	(52,981)
Sale of tangible and intangible assets	6,630	6,118
Decrease / (increase) in other sundry assets	480,047	(278,583)
	(1,600,906)	(933,458)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	100	5,127
Reimbursement of subordinated debt	(95,576)	(702,204)
Issuance of debt securities	266,076	1,291,240
Reimbursement of debt securities	(596,648)	(1,831,593)
Issuance of commercial paper and other securities	28,412	141,201
Reimbursement of commercial paper and other securities	(12,775)	(3,957)
Share capital increase	-	1,294,903
Dividends paid to non-controlling interests	(9,088)	(7,787)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(5,864)	(250,743)
	(425,363)	(63,813)
Exchange differences effect on cash and equivalents	(126,229)	23,635
Net changes in cash and equivalents	59,372	1,236,029
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)	506,866	479,270
Deposits at Central Banks (note 18)	1,685,651	1,665,525
Loans and advances to credit institutions repayable on demand (note 19)	330,321	1,113,371
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2,522,838	3,258,166

(*) The balances as at 30 September 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 57).

CHIEF ACCOUNTANT　　　　THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 45)	Total equity
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	59,910	2,922	245,875	(2,880)	(232,938)	23,938	4,382,116	883,065	5,265,181
Net income for the period	-	-	-	-	-	-	-	133,309	133,309	76,028	209,337
Other comprehensive income	-	-	-	-	-	-	238,190	-	238,190	42,744	280,934
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	238,190	133,309	371,499	118,772	490,271
Results application:											
Legal reserve	-	-	-	-	6,931	-	-	(6,931)	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	17,007	(17,007)	-	-	-
Share capital increase	1,331,920	-	-	-	-	-	-	-	1,331,920	-	1,331,920
Costs related to the share capital increase	-	-	-	-	-	-	(37,017)	-	(37,017)	-	(37,017)
Dividends (a)	-	-	-	-	-	-	-	-	-	(7,787)	(7,787)
Treasury shares	-	-	-	-	-	2,598	1,084	-	3,682	-	3,682
Other reserves	-	-	-	-	-	-	(321)	-	(321)	12,119	11,798
BALANCE AS AT 30 SEPTEMBER 2017 (*)	5,600,738	16,471	59,910	2,922	252,806	(282)	(13,995)	133,309	6,051,879	1,006,169	7,058,048
Net income for the period	-	-	-	-	-	-	-	53,082	53,082	27,138	80,220
Other comprehensive income	-	-	-	-	-	-	(15,966)	-	(15,966)	31,818	15,852
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(15,966)	53,082	37,116	58,956	96,072
Costs related to the share capital increase	-	-	-	-	-	-	245	-	245	-	245
Tax related to costs arising from the share capital increase (b)	-	-	-	-	-	-	(8,264)	-	(8,264)	-	(8,264)
Treasury shares	-	-	-	-	-	(11)	(1)	-	(12)	-	(12)
Other reserves	-	-	-	-	-	-	(149)	-	(149)	33,796	33,647
BALANCE AS AT 31 DECEMBER 2017 (*)	5,600,738	16,471	59,910	2,922	252,806	(293)	(38,130)	186,391	6,080,815	1,098,921	7,179,736
Transition adjustments IFRS 9 (note 57)											
Gross value	-	-	-	-	-	-	(217,979)	-	(217,979)	(36,999)	(254,978)
Taxes	-	-	-	-	-	-	(155,472)	-	(155,472)	6,888	(148,584)
	-	-	-	-	-	-	(373,451)	-	(373,451)	(30,111)	(403,562)
BALANCES AS AT 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(411,581)	186,391	5,707,364	1,068,810	6,776,174
Net income for the period	-	-	-	-	-	-	-	257,469	257,469	83,773	341,242
Other comprehensive income	-	-	-	-	-	-	(156,602)	-	(156,602)	(20,327)	(176,929)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(156,602)	257,469	100,867	63,446	164,313
Results application:											
Legal reserve	-	-	-	-	11,802	-	-	(11,802)	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	174,589	(174,589)	-	-	-
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	12,840	12,840
Preferred share dividends	-	-	-	-	-	-	(460)	-	(460)	-	(460)
Dividends from other equity instruments	-	-	-	-	-	-	(74)	-	(74)	-	(74)
Dividends (a)	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares (note 43)	-	-	-	-	-	2	-	-	2	-	2
Other reserves (note 44)	-	-	-	-	-	-	917	-	917	28	945
BALANCE AS AT 30 SEPTEMBER 2018	5,600,738	16,471	59,910	2,922	264,608	(291)	(393,211)	257,469	5,808,616	1,136,036	6,944,652

(*) The balances as at 30 September 2017 and 31 December 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 57).

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

(b) 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

See accompanying notes to the interim condensed consolidated financial statements.

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 nine months ended 30 September 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 6 November 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 nine month period ended 30 September 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 they should be read with the consolidated financial statements with reference to 31 December 2017.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2018. The accounting policies 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, except for the changes resulting from the adoption of the following standards with reference to January 1, 2018: 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 presented by IFRS 9 are generally applied retrospectively by adjusting the opening balance sheet to the date of initial application (1 January 2018). The impacts arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed in note 57. No significant impacts on the interim consolidated financial statements related to the adoption of IFRS 15 were found.

The reconciliation between the balance sheet balances as at 31 December 2017 and the balance sheet balances as at 1 January 2018, in accordance with IFRS 9, is detailed in note 57. The balances included in the financial statements for 30 September 2017 and 31 December 2017, are presented exclusively for comparative purposes.

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. 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 Z.

B. BASIS OF CONSOLIDATION

As from 1 January 2010, the Group began to apply 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.

B1. 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 revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered 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.

B3. 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.

B4. 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.

B5. 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.

B6. 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 considering 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".

The exchange rates used by the Group are presented in note 52.

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 considering 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".

B7. 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. FINANCIAL INSTRUMENTS (IFRS 9)

As described in note A. Basis of Presentation, the Group adopted IFRS 9 - Financial Instruments on 1 January 2018, replacing IAS 39 - Financial Instruments: Recognition and Measurement, which was in force until 31 December 2017. The Group did not adopt any of the requirements of IFRS 9 in prior periods.

As permitted by the transitional provisions of IFRS 9, the Group chose not to restate the comparative balances of the previous period. All the adjustments to the book values of the financial assets and liabilities at the transition date were recognised in shareholders' equity with reference to 1 January 2018. Consequently, the changes occurred in the information disclosed in the notes to the financial statements arising from the amendments to IFRS 7, following the adoption of IFRS 9, were applied only to the current reporting period. The information included in the notes to the financial statements for the comparative period corresponds to what disclosed in the previous period.

The accounting policies in force after the adoption of IFRS 9 on 1 January 2018 applicable to the Group's consolidated financial statements as at 30 September 2018, are described below. The accounting policies applicable to the comparative period (in IAS 39) are described in Note 1.D

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

- the Bank's business model for the management of the financial asset; and
- the characteristics of the contractual cash flows of the financial asset.

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 sales periodicity in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered singly 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 option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC) nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" 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 and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g. contracts with – terms which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

In addition, an advanced payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and
- the prepaid fair value is insignificant at initial recognition.

C1.1. 1. Financial assets at amortized cost

Classification

A financial asset is classified under the category "Financial assets at amortized cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortized cost" category includes Loans and advances to credit institutions, Loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and Loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5.), which are recorded in "'Impairment of financial assets measured at amortised cost".

Interest on financial assets at amortized cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are recorded in the caption "Gains / (losses) with derecognition of financial assets and liabilities at amortized cost".

C1.1. 2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
- the contractual cash flows occur on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution is recognised by an acquirer in a business combination which applies IFRS 3, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income". This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement "Gains or losses on derecognition of financial assets at fair value through other comprehensive income. "

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5.). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against Other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income" based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. The changes in the fair value of these financial assets are recorded against Other comprehensive income. Dividends are recognised in profit or losses when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recorded in fair value changes are transferred to retained earnings at the time of their derecognition.

C1.1. 3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Bank for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

The Group classified "Financial assets at fair value through profit and loss" in the following captions:

a) Financial assets held for trading

These financial assets are acquired with the purpose of short term selling; on the initial recognition are part of a identified financial instruments portfolio that are managed together and for which there is evidence of short-term profit-taking; or are a derivative (except for hedging derivative).

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

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) Financial assets designated at fair value through profit or loss

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit or loss at the initial moment, with subsequent changes in fair value recognised 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. Dividends are recognised in profit or losses when the right to receive them is attributed.

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

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified to other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification, and any gains, losses (including related to impairment) or interest previously recognised should not be restated.

Reclassifications of investments in equity instruments measured at fair value through other comprehensive income, or financial instruments designated at fair value through profit or loss, are not permitted.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset as set out in notes ii) and iii) bellow and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the Bank shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- There is no obligation of the Group to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the Bank with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- The Group is contractually prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Bank transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset.

- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset. In this case:

a) if the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
b) if the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

v) The transfer of risks and rewards (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Bank has retained control (see note iv above) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.

Derecognition criteria

In the context of the general principles listed in the prior section and considering that contract modification processes may lead in some circumstances to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification) the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and on recognition of a new transaction when the modification translates into at least one of the following conditions:

- Origination of a new exposure that results from a debt consolidation, without any of the derecognised instruments have a nominal amount higher than 90% of the nominal amount of the new instrument;
- Double extension of residual maturity, provided that the extension is not shorter than 3 years compared with the residual maturity at the moment of the modification;
- Increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- Change in qualitative features, namely:

a) change of the currency unless the exchange rate between the old and new currencies is pegged or managed within narrow bounds by law or relevant monetary authorities;
b) deletion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be the exercised over its term;
c) Transfer of the credit risk of the instrument to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Group write off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written off are recorded in off-balance sheet accounts.

C1.4. Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL's) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balances) is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recorded in the following accounting items:

C1.5.1. 1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the balance "Impairment for financial assets at amortised cost" (in statement of income).

C1.5.1. 2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in statement of income under "Impairment for financial assets at fair value through other comprehensive income", against other comprehensive income (do not reduce the balance sheet of these financial assets).

C1.5.1. 3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in statement of income).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk from the initial recognition		
	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: are classified in this stage the operations in which there is no significant increase in credit risk since its initial recognition. Impairment losses associated with operations classified at this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses).

- Stage 2: are classified in this stage the operations in which there is a significant increase in credit risk since its initial recognition (note C.1.5.3.), but are not impaired (note C.1.5.4). Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses).

- Stage 3: are classified in this stage the impaired operations. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria. These criteria are mainly based on the risk grades of customers in accordance with the Bank's Rating Master Scale and its evolution in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers behaviour towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

Customers who meet at least one of the following criteria are considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with financial difficulties restructured operations for which it is registered at the time of restructuring a higher economic loss to Euros 5 million or 20% of total exposure;
g) Customers with restructured operations by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its the credit operations;
h) Customers that have a recurrence of operations restructured due to financial difficulties within 24 months from the default resulting from the previous restructuring. If, from the previous restructuring, it did not result in default, the 24 months count from the previous restructuring;
i) Customers whose part or all of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that results from balance sheet management decision and not from disposal of problem loans);
j) Customers taking place a new sale with loss, regardless of the amount, during a period of 24 months as from the triggering of the previous sale;
k) Guarantors of operations overdue with more than 90 days above the defined materiality, since that the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Customers are considered to have objective signs of impairment (i.e. Impaired):

i) Customers in default, i.e. marked as grade 15 on the Bank's Rating Master Scale;
ii) Customers who submitted to a questionnaire for analysis of financial difficulties indications are considered with objective signs of impairment;
iii) Customers whose contracts values are due for more than 90 days, represent more than 20% of its total exposure in the balance sheet;
iv) The Non-Retail customers with one or more contracts in default for more than 90 days and whose total overdue amount exceeds Euros 500;
v) The Retail customers contracts in default for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) Contracts restructured due to financial difficulties in default for more than 30 days and in which the overdue amount exceeds Euros 200.

Expected credit losses are estimated on an individual and collective basis, as described below.

C1.5.5. Estimates of expected credit losses - Individual analysis

Customers in default	Customers in litigation or insolvency since the total exposure of the group members in these situations exceed Euros 1 million
	Customers integrated into groups with an exposure of more than Euros 5 million, since they have a risk grade15
Groups or Customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or Customers with exposure of more than Euros 5 million since a group member has a risk grade14
	Groups or customers with exposure of more than 5 million euros, since a member of the Group have a restructured loans and a risk grade 13
	Groups or customers with exposure of more than Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers, not included in the preceding paragraphs, the exposure exceeds Euros 25 million.

2 Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure in excess of Euros 500,000, not considering customers with exposure below this limit for the purpose of determining the exposure referred to in the previous point.

3.Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or
ii) According to recent information, show a significant deterioration in risk levels; or
iii) are Special Purpose Vehicle (SPV);

4. The individual analysis includes the following procedures:

- For customers not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in Stage 2 given the occurrence of a significant increase in credit risk, considering the effect a set of predetermined signs
- For customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the managing director of customers and the Credit Department, the latter with respect to the customers managed by the Commercial Networks.

Impairment losses on individually assessed loans were determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors were considered:

- group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the Customer's liabilities.

8. The recovery estimate referred to in the previous point should be influenced by future prospects (forward looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty as to the expected recovery estimate are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

-For Going Concern strategies (i.e. the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one account.
-For "Gone Concern" strategies (i.e. the recovery estimate is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimates to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- Recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- Recovery of debt related to geographies in which there is a strong political instability;
- Recovery of non-real estate collateral for which there is no evidence of market liquidity;
- Recovery of related collateral or government guarantees in a currency other than the country's own;
- Recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the Customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this Customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated "low default": Large corporate exposures, Project finance, Institutions (banks / financial institutions) and Sovereigns.

b) Segments not "low default": - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ("SME Retail"); and others. - Corporate: Small and medium enterprises - Corporate ("Large SME"); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year:

Expected credit losses are estimates of credit losses that are 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 current value of the expected repayments less the amounts that the Group expects to recover.

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, considering the already existing regulatory models adapted to the requirements of IFRS 9.

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 grades are a highly relevant input for determining the PD's associated with each exposure.

Group collects performance and default indicators about their credit risk exposures with analysis by types 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.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of products applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters to the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point in time considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss.

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) Financial liabilities designated at fair value through profit or loss.

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:

-The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, where appropriate, from the accumulated amount of income recognised according with IFRS 15 - Revenue recognition.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes Resources from credit institutions, Resources from customers and subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortized cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. Interests on financial liabilities at amortized cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when they are cancelled or extinct.

C3. Interest Recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

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.

Interests income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortized cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering stage 3 interests are recognised on the amortized cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements set forth in IAS 39.

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.

C4.1. 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.

C4.2. 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.

C4.3. 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.

C4.4. 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.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately where the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. FINANCIAL INSTRUMENTS (IAS 39)

The Group's consolidated financial statements for the year 2017 were prepared in accordance with IAS 39 - Financial instruments - Recognition and measurement, as follows:

D1. Loans and advances to customers

The balances Loans and advances to customers included loans and advances originated by the Group which were not intended to be sold in the short term and were recognised when cash was advanced to customers.

The derecognition of these assets occurred 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 were initially recognised at fair value plus any directly attributable transaction costs and fees and were subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

D1.1. Impairment

The Group's policy consisted in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified were charged against results and subsequently, if there was a reduction of the estimated impairment loss, the charge was 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, could be classified as impaired when there was 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.

According to IAS 39, there were two methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

Individually assessed loans

Impairment losses on individually assessed loans were determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors were considered:

- group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to which loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

Impairment losses were calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans was presented in the balance sheet net of impairment loss. For loans with a variable interest rate, the discount rate used corresponded to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that were not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

Collective assessment

Impairment losses were calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that were not considered individually significant; or
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment was identified (see last paragraph (i)).

The collective impairment loss was determined considering the following factors:

- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level;
- the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group.

Loans, for which no evidence of impairment has been identified, were grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allowed the Group's recognition of losses whose identification in individual terms only occurs in future periods.

Loans and advances to customers were written-off when there is no realistic expectation, from an economic perspective, and for collateralised loans when the funds from the realization of the collateral have already been received, by the use of impairment losses when they correspond to 100% of the credits value considered as non-recoverable.

D2. Financial instruments

D2.1 Classification, initial recognition and subsequent measurement

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

D2.1.1. Financial assets and liabilities at fair value through profit and loss

D2.1.1.1. 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 were part of a financial instruments portfolio and for which there was 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) were classified as trading. The dividends associated to these portfolios were 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 were included in Financial assets held for trading and the trading derivatives with negative fair value were included in "Financial liabilities held for trading".

D2.1.1.2. Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Group had adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option were disclosed in the note Net gains / (losses) arising from accounting (note 5).

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) could be performed whenever at least one of the following requirements was 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 were in market conditions, the assets and liabilities financial instruments at fair value through profit or loss were 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 recognized in profit or loss. Patrimonial variations in the fair value are recorded in "Net gains / (losses) on financial operations" (note 5). 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.

D2.1.2. Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, were classified as available for sale, except if they were classified in another category of financial assets. The financial assets available for sale were initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale were subsequently measured at fair value. The changes in fair value were accounted for against "Fair value reserves". On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves were recognised under "Net gains / (losses) arising from available for sale financial assets" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments was recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends were recognised in profit and losses when the right to receive the dividends is attributed.

D2.1.3. Financial assets held-to-maturity

The financial assets held-to-maturity included non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group had 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 were initially recognised at fair value and subsequently measured at amortised cost. The interest was calculated using the effective interest rate method and recognised in Net interest income. The impairment was recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that did not occur close to the maturity of the assets, or if it was not framed in the exceptions stated by the rules, would require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group would not be allowed to classify any assets under this category for the following two years.

D2.1.4. Loans and receivables - Loans represented by securities

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

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

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

D2.1.5. Other financial liabilities

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

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

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

D2.2. Impairment

At each balance sheet date, an assessment was made of the existence of objective evidence of impairment. A financial asset or group of financial assets were 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. According to the Group's policies, 30% depreciation in the fair value of an equity instrument was considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, 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) was removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increased and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss was reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, was recognised as a gain in fair value reserves when it occurs (there is no reversal in profit and losses).

D2.3. Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative were 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 were classified as trading and recognised at fair value with changes through profit and loss.

D2.4. Reclassification between categories of financial instruments

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Financial assets held-to-maturity, as long as the requirement referred in the standard namely when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance. The Group adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss (Fair value option) were prohibited.

D2.5. Interest Recognition

Interest income and expense for financial instruments measured at amortised cost were 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 were 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 estimated future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation included 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.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:

- interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off from the Bank's financial statements and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

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).

E. SECURITIZATION OPERATIONS

E1. Traditional securitizations

As referred in note 21, 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.

E2. 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.

F. 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.

G. SECURITIES BORROWING AND REPURCHASE AGREEMENT TRANSACTIONS

G1. 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).

G2. 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.

H. 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.

H1. 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, 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.

I. 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.

I1. 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).

I2. 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.

J. 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.

K. NET GAINS / (LOSSES) FROM FINANCIAL OPERATIONS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE, NET GAINS / (LOSSES) FROM HEDGE ACCOUNTING, NET GAINS / (LOSSES) FROM DERECOGNITION OF ASSETS AND LIABILITIES AT AMORTISED COST AND NET GAINS / (LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These balances include gains and losses arising from financial assets and 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 financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. 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.

M. 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.

N. 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 / (losses)" (note 6).

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

O. INTANGIBLE ASSETS

O1. 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.

O2. 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.

P. 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.

Q. 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.

R. 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.

S. EMPLOYEE BENEFITS

S1. 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 considering 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 that represented 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 31December 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.

S2. 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 30 September 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.

S3. Share based compensation plan

As at 30 September 2018 there are no share based compensation plans in force.

S4. 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.

T. 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.

U. 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.

V. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

V1. 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 considers 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.

V2. Contingent assets

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

V3. 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.

W. 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.

X. INSURANCE CONTRACTS

X1. 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.

X2. 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.

X3. 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.

X4. 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.

X5. 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.

Y. 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".

Z. 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.

Z1. 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.

Z2. 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.

Z3. 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 impairment for loans and advances to customers and provisions for 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, provided for in Regulatory Decree No. 11/2017, of 28 December 28, is only applicable for the taxation period of 2017, and the regime applicable from 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 30 September 2018, that the impairment for loans and advances to customers and provisions for 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.

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).

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code. The Bank carried out a review of the recoverability of deferred tax assets with reference to1 January 2018, considering the impacts related to the adoption of IFRS 9 and the current interpretation of the tax implications applicable to the transition adjustments to IFRS 9.

Z4. 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.

Z5. 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.

Z. Financial instruments

Z6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

Z6.2. Impairment losses on financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimates regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in stages 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product / market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated on the basis of historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimate in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The calculation of the estimate of loss given default based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Z6.3. Fair value of derivative financial instruments

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 considers the 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.

AA. SUBSEQUENT EVENTS

The Bank analyses events occurring after the balance sheet date, that is, favourable and / or unfavourable 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

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	710	4,427
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	16,161	16,922
Loans and advances to customers	1,035,943	1,102,961
Debt instruments	126,622	37,197
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	4,842	3,758
Derivatives associated to financial instruments at fair value through profit or loss	12,265	7,468
Financial assets not held for trading mandatorily at fair value through profit or loss	16,993	n.a.
Financial assets designated at fair value through profit or loss	1,905	2,585
Interest on financial assets at fair value through other comprehensive income	117,700	n.a.
Interest on financial assets available for sale	n.a.	172,070
Interest on financial assets held to maturity	n.a.	13,319
Interest on hedging derivatives	69,132	67,523
Interest on other assets	5,588	3,582
	1,407,861	1,431,812
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(6,156)	(19,527)
Resources from customers	(236,340)	(249,196)
Non subordinated debt securities issued	(22,884)	(55,834)
Subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	-	(6,343)
Others	(50,300)	(42,507)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(2,498)	(3,595)
Financial liabilities at fair value through profit or loss		
Resources from customers	(11,298)	(6,383)
Non subordinated debt securities issued	(5,535)	(8,624)
Interest on hedging derivatives	(18,812)	(15,506)
Interest on other liabilities	(1,233)	(1,095)
	(355,056)	(408,610)
	1,052,805	1,023,202

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 35,954,000 (30 September 2017: Euros 32,038,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. (2017: note 1 D2).

The balances Interest on non subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 19,236,000 (30 September 2017: Euros 33,101,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3 (2017: nota 1 D2).

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt instruments include the amounts of Euros 29,430,000 and Euros 179,000, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

3. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Dividends from financial assets held for trading	4	4
Dividends from financial assets through other comprehensive income	588	n.a.
Dividends from financial assets available for sale	n.a.	1,682
	592	1,686

The balances Dividends from financial assets through other comprehensive income and Dividends from financial assets available for sale include dividends and income from investment fund units received during the period.

4. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Fees and commissions received		
From banking services	388,691	355,187
From management and maintenance of accounts	79,069	69,352
From securities operations	67,345	70,629
From guarantees provided	42,904	47,186
From commitments	3,276	3,407
From fiduciary and trust activities	520	525
From insurance activity commissions	700	865
Other commissions	33,138	30,809
	615,643	577,960
Fees and commissions paid		
From banking services	(81,325)	(60,714)
From guarantees received	(3,937)	(4,203)
From securities operations	(8,388)	(7,427)
From insurance activity commissions	(821)	(1,181)
Other commissions	(11,104)	(9,795)
	(105,575)	(83,320)
	510,068	494,640

The balance Fees and commissions received - From banking services includes the amount of Euros 71,676,000 (30 September 2017: Euros 71,408,000) related to insurance mediation commissions in Portugal.

5. NET GAINS / (LOSSES) ON FINANCIAL OPERATIONS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Net gains / (losses) from foreign exchange	53,846	63,402
Net gains / (losses) from hedge accounting	(1,547)	(6,672)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(21,598)	(3,927)
Net gains / (losses) from financial assets at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	10,872	85,103
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(1,571)	n.a.
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	3,014	(67,255)
	12,315	17,848
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	46,560	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	44,348
	89,576	114,999

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Net gains / (losses) from foreign exchange		
Gains	839,796	1,329,466
Losses	(785,950)	(1,266,064)
	53,846	63,402
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	75,712	94,990
Hedged items	8,653	25,421
	84,365	120,411
Losses		
Hedging derivatives	(71,292)	(115,263)
Hedged items	(14,620)	(11,820)
	(85,912)	(127,083)
	(1,547)	(6,672)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	5,696	14,239
Debt securities issued	1,643	1,039
	7,339	15,278
Losses		
Credit sales	(27,315)	(18,861)
Debt securities issued	(1,622)	(344)
	(28,937)	(19,205)
	(21,598)	(3,927)

The balances Net gains / (losses) from financial assets at fair value through profit or loss is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	12,470	6,525
Equity instruments	1,760	699
Derivative financial instruments	207,442	336,056
Other operations	1,147	3,507
	222,819	346,787
Losses		
Debt securities portfolio	(9,299)	(3,849)
Equity instruments	(1,551)	(516)
Derivative financial instruments	(199,794)	(256,140)
Other operations	(1,303)	(1,179)
	(211,947)	(261,684)
	10,872	85,103
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	20,619	n.a.
Debt securities portfolio	36,035	n.a.
	56,654	n.a.
Losses		
Loans and advances to customers	(23,753)	n.a.
Debt securities portfolio	(34,472)	n.a.
	(58,225)	n.a.
	(1,571)	n.a.
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	3,933	61
Debt securities issued		
Certificates and structured securities issued	25,253	43,365
Other debt securities issued	18,189	2,994
	47,375	46,420
Losses		
Debt securities portfolio	(3,205)	(2,889)
Resources from customers	-	(7,595)
Debt securities issued		
Certificates and structured securities issued	(40,446)	(101,161)
Other debt securities issued	(710)	(2,030)
	(44,361)	(113,675)
	3,014	(67,255)

The balances Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income and Net gains / (losses) from financial assets available for sale is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	55,786	n.a.
Losses		
Debt securities portfolio	(9,226)	n.a.
	46,560	n.a.
Net gains / (losses) from financial assets available for sale		
Gains		
Debt securities portfolio	n.a.	30,901
Equity instruments	n.a.	15,852
	n.a.	46,753
Losses		
Debt securities portfolio	n.a.	(2,047)
Equity instruments	n.a.	(358)
	n.a.	(2,405)
	n.a.	44,348

During the first nine months of 2018, the balance Gains arising from financial assets at fair value through other comprehensive income includes the amount of Euros 17,814,000 related to gains resulting from the sale of Portuguese Treasury bonds. In 2017, the balance Net gains / (losses) from financial assets available for sale - Gains - Debt securities portfolio included the gains resulting from the sale of Portuguese Treasury bonds in the amount of Euros 9,242,000.

6. OTHER OPERATING INCOME / (LOSSES)

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Operating income		
Gains on leasing operations	2,740	5,747
Income from services	17,971	18,626
Rents	1,958	1,782
Sales of cheques and others	8,890	9,468
Other operating income	7,945	11,996
	39,504	47,619
Operating costs		
Donations and contributions	(2,611)	(2,867)
Contribution over the banking sector	(33,066)	(31,037)
Resolution Funds Contributions	(20,298)	(19,393)
Contribution for the Single Resolution Fund	(21,185)	(18,246)
Contributions to Deposit Guarantee Fund	(12,630)	(9,482)
Tax for the Polish banking sector	(34,954)	(32,881)
Taxes	(16,915)	(20,080)
Losses on financial leasing operations	-	(777)
Other operating costs	(19,437)	(15,003)
	(161,096)	(149,766)
	(121,592)	(102,147)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Resolution Fund Contributions includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Resolution Funds Contributions also includes, as at 30 September 2018 and 2017, the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

During 2018, the Group delivered the amount of Euros 21,185,000 (30 September 2017: Euros 18,246,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 24,922,000 (30 September 2017: Euros 21,466,000) and the Group opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,737,000 (30 September 2017: Euros 3,220,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014.

7. STAFF COSTS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Remunerations	340,961	317,087
Mandatory social security charges		
Post-employment benefits (note 49)		
Service cost	(11,566)	(11,996)
Net interest cost / (income) in the liability coverage balance	2,273	3,402
Cost / (income) with early retirement programs and mutually agreed terminations	6,938	6,442
Collective Labour Agreement	-	(39,997)
	(2,355)	(42,149)
Other mandatory social security charges	79,399	85,210
	77,044	43,061
Voluntary social security charges	7,341	4,590
Other staff costs	10,205	15,380
	435,551	380,118

8. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Water, electricity and fuel	11,175	11,536
Credit cards and mortgage	5,041	4,499
Communications	16,916	15,839
Maintenance and related services	11,626	12,592
Legal expenses	4,832	4,961
Travel, hotel and representation costs	6,733	5,583
Advisory services	15,412	9,925
Training costs	2,077	1,392
Information technology services	27,297	13,011
Consumables	3,175	3,508
Outsourcing and independent labour	56,555	57,926
Advertising	19,888	19,222
Rents and leases	55,120	72,295
Insurance	2,842	3,332
Transportation	7,541	5,630
Other specialised services	15,214	14,940
Other supplies and services	14,334	18,573
	275,778	274,764

The balance Rents and lease includes the amount of Euros 53,099,000 (30 September 2017: Euros 59,417,000) related to rents paid regarding buildings used by the Group as lessee.

9. AMORTIZATIONS AND DEPRECIATIONS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Intangible assets amortizations (note 30):		
Software	9,761	8,064
Other intangible assets	1,037	624
	10,798	8,688
Other tangible assets depreciations (note 29):		
Properties	13,895	14,253
Equipment		
Computers	8,202	6,947
Security equipment	1,117	1,220
Installations	1,758	1,513
Machinery	474	483
Furniture	1,655	1,452
Motor vehicles	3,483	3,482
Other equipment	1,514	1,677
	32,098	31,027
	42,896	39,715

10. IMPAIRMENT FOR FINANCIAL ASSETS AT AMORTISED COST

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Loans and advances to credit institutions (note 20)		
Impairment charge for the period	478	-
Reversals for the period	(127)	-
	351	-
Loans and advances to customers (note 21)		
Impairment charge for the period	688,272	756,531
Reversals for the period	(338,438)	(288,676)
Recoveries of loans and interest charged-off	(8,425)	(12,920)
	341,409	454,935
Debt securities (note 22)		
Associated to credit operations		
Impairment charge for the period	-	3,660
Reversals for the period	(4,660)	(1)
	(4,660)	3,659
Not associated to credit operations		
Impairment charge for the period	121	n.a.
Reversals for the period	(1,553)	n.a.
	(1,432)	n.a.
	(6,092)	3,659
	335,668	458,594

11. IMPAIRMENT FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND IMPAIRMENT FOR FINANCIAL ASSETS AVAILABLE FOR SALE

The detail of these balances is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Impairment for financial assets at fair value through other comprehensive income		
Charge for the period	298	n.a.
Reversals for the period	(3,941)	n.a.
	(3,643)	n.a.
Impairment for financial assets available for sale		
Charge for the period	n.a.	48,485
	n.a.	48,485

12. IMPAIRMENT FOR OTHER ASSETS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Impairment for investments in associated companies (nota 26)		
Charge for the period	11,617	9,006
	11,617	9,006
Impairment for non-current assets held for sale (note 27)		
Charge for the period	64,045	74,551
Reversals for the period	(12,448)	(3,242)
	51,597	71,309
Impairment for goodwill of subsidiaries (note 30)		
Charge for the period	-	4
	-	4
Impairment for other assets (note 32)		
Charge for the period	6,048	23,609
Reversals for the period	(864)	(882)
	5,184	22,727
	68,398	103,046

13. OTHER PROVISIONS

This balance is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Provision for guarantees and other commitments (note 39)		
Charge for the period	46,697	16,494
Reversals for the period	(30,802)	(12,908)
	15,895	3,586
Other provisions for liabilities and charges (note 39)		
Charge for the period	15,300	16,053
Reversals for the period	(267)	(1,261)
	15,033	14,792
	30,928	18,378

14. 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)

	30 September 2018	30 September 2017
Banco Millennium Atlântico, S.A.		
Appropriation relating to the current period (note 26)	15,524	24,392
Appropriation relating to the previous period (note 26)	18	-
Effect of the application of IAS 29:		
Revaluation of the net non-monetary assets of the BMA (note 26)	1,574	-
Revaluation of the goodwill associated to the investment in BMA	11,617	-
	13,191	-
	28,733	24,392
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (note 26)	27,107	27,165
SIBS, S.G.P.S, S.A.	7,096	2,583
Unicre - Instituição Financeira de Crédito, S.A.	5,665	4,814
Banque BCP, S.A.S.	2,864	2,896
Banque BCP (Luxembourg), S.A.	-	8
Other companies	403	(5,067)
	71,868	56,791

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

This balance is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Sale of 41.1% of the investment held in Nanium	-	(3,821)
Settlement of Propaço regarding the investment of 52.7%	-	(2)
Settlement of S & P Reinsurance Limited regarding the investment of 100%	7	-
Settlement of bcp holdings (usa), Inc regarding the investment of 100%	2,769	-
Other assets	24,479	5,282
	27,255	1,459

The balance Other assets includes gains / (losses) arising from the sale of assets of the Group classified as non-current assets held for sale (note 27), as also the gains/ (losses) arising on sales and revaluations of investment properties (note 28).

16. INCOME / (LOSS) ARISING FROM DISCONTINUED OR DISCONTINUING OPERATIONS

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2018	30 September 2017
Appropriated net income		
Gains arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1,750	1,250

17. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Continuing operations		
Net income	339,492	208,087
Non-controlling interests	(83,773)	(76,028)
Appropriated net income	255,719	132,059
Gains / (losses) in equity instruments	(276)	-
Adjusted net income	255,443	132,059
Discontinued or discontinuing operations		
Appropriated net income	1,750	1,250
Adjusted net income	257,193	133,309
Average number of shares	15,113,989,952	12,717,384,960
Basic earnings per share (Euros):		
from continuing operations	0.023	0.014
from discontinued or discontinuing operations	0,000	0,000
	0.023	0.014
Diluted earnings per share (Euros):		
from continuing operations	0.023	0.014
from discontinued or discontinuing operations	0,000	0,000
	0.023	0.014

The Bank's share capital, as at 30 September 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 30 September 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)

	30 September 2018	31 December 2017
Cash	506,866	540,608
Central Banks		
Bank of Portugal	887,673	939,852
Central Banks abroad	797,978	687,474
	2,192,517	2,167,934

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates 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)

	30 September 2018	31 December 2017
Credit institutions in Portugal	11,197	8,394
Credit institutions abroad	124,898	160,389
Amounts due for collection	194,226	126,749
	330,321	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. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Loans and advances to Central Banks abroad	-	50,114
Loans and advances to credit institutions in Portugal		
Very short-term applications	-	39,742
Short-term applications	2,693	-
Loans	41,103	39,220
Other applications	3,436	10,328
	47,232	89,290
Loans and advances to credit institutions abroad		
Very short-term applications	-	388,327
Short-term applications	628,091	262,339
Loans	32	-
Other applications	192,948	274,837
	821,071	925,503
	868,303	1,064,907
Overdue loans - less than 90 days	163	-
Overdue loans - Over 90 days	666	661
	869,132	1,065,568
Impairment for loans and advances to credit institutions	(946)	-
	868,186	1,065,568

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), the caption Loans and advances to credit institutions includes the amounts detailed below:

(Thousands of euros)

	30 September 2018	31 December 2017
Loans and advances to credit institutions in Portugal		
Other applications	20	1,010
Loans and advances to credit institutions abroad		
Short-term applications	173,048	27,639
Other applications	185,107	269,284
	358,175	297,933

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

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

(Thousands of euros)

	30 September 2018	31 December 2017
Balance on 1 January	-	-
Adjustments due to the implementation of IFRS 9 (note 57)	703	-
Impairment charge for the period (note 10)	478	-
Reversals for the period (note 10)	(127)	-
Loans charged-off	(108)	-
Balance at the end of the period	946	-

21. LOANS AND ADVANCES TO CUSTOMERS

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

(Thousands of euros)

	30 September 2018	31 December 2017
Mortgage loans	23,554,991	23,307,977
Loans	12,840,118	13,766,729
Finance leases	3,846,781	3,525,058
Factoring operations	2,238,934	2,106,173
Current account credits	1,799,053	1,556,279
Overdrafts	1,500,908	1,456,141
Discounted bills	226,690	232,169
	46,007,475	45,950,526
Overdue loans - less than 90 days	102,209	88,500
Overdue loans - Over 90 days	2,394,977	2,865,992
	48,504,661	48,905,018
Impairment for credit risk	(3,149,304)	(3,279,046)
	45,355,357	45,625,972

The balance Loans and advances to customers, as at 30 September 2018, is analysed as follows:

(Thousands of euros)

	30 September 2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	733,665	821	734,486	(6,013)	728,473
Asset-backed loans	28,101,445	1,365,315	29,466,760	(1,952,280)	27,514,480
Other guaranteed loans	3,678,600	225,203	3,903,803	(371,438)	3,532,365
Unsecured loans	5,402,768	628,235	6,031,003	(441,780)	5,589,223
Foreign loans	2,005,282	144,800	2,150,082	(182,611)	1,967,471
Factoring operations	2,238,934	29,178	2,268,112	(48,631)	2,219,481
Finance leases	3,846,781	103,634	3,950,415	(146,551)	3,803,864
	46,007,475	2,497,186	48,504,661	(3,149,304)	45,355,357

The balance Loans and advances to customers, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	31 December 2017				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	853,393	265	853,658	(2,678)	850,980
Asset-backed loans	27,885,255	1,502,718	29,387,973	(2,013,212)	27,374,761
Other guaranteed loans	3,932,216	335,606	4,267,822	(434,783)	3,833,039
Unsecured loans	5,856,207	820,704	6,676,911	(536,805)	6,140,106
Foreign loans	1,792,224	149,805	1,942,029	(117,851)	1,824,178
Factoring operations	2,106,173	23,892	2,130,065	(32,162)	2,097,903
Finance leases	3,525,058	121,502	3,646,560	(141,555)	3,505,005
	45,950,526	2,954,492	48,905,018	(3,279,046)	45,625,972

As at 30 September 2018, the balance Loans and advances to customers includes the amount of Euros 12,292,278,000 (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.

As referred in note 50, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 41.

As at 30 September 2018, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 104,040,000 (31 December 2017: Euros 62,822,000), as referred in note 50 a). The amount of impairment recognised for these contracts amounts to Euros 147,000 (31 December 2017: Euros 77,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

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

(Thousands of euros)

	30 September 2018	31 December 2017
Amount of future minimum payments	4,326,290	3,956,596
Interest not yet due	(479,509)	(431,538)
Present value	3,846,781	3,525,058

Regarding operational leasing, the Group does not present relevant contracts as lessee.

The analysis of loans and advances to customers, as at 30 September 2018, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	289,789	11,239	301,028	(10,016)	291,012	0.62%
Fisheries	31,823	51	31,874	(894)	30,980	0.07%
Mining	56,336	4,830	61,166	(11,121)	50,045	0.13%
Food, beverage and tobacco	655,081	16,585	671,666	(18,283)	653,383	1.39%
Textiles	366,815	18,786	385,601	(27,266)	358,335	0.80%
Wood and cork	244,758	9,230	253,988	(22,024)	231,964	0.52%
Paper, printing and publishing	193,981	5,408	199,389	(16,377)	183,012	0.41%
Chemicals	692,215	46,115	738,330	(48,171)	690,159	1.52%
Machinery, equipment and basic metallurgical	1,189,439	58,339	1,247,778	(58,967)	1,188,811	2.57%
Electricity and gas	304,037	117	304,154	(1,346)	302,808	0.63%
Water	250,725	2,253	252,978	(18,844)	234,134	0.52%
Construction	1,705,774	494,392	2,200,166	(500,902)	1,699,264	4.54%
Retail business	1,095,740	86,295	1,182,035	(89,457)	1,092,578	2.44%
Wholesale business	2,061,966	98,653	2,160,619	(109,332)	2,051,287	4.45%
Restaurants and hotels	1,122,469	57,627	1,180,096	(98,313)	1,081,783	2.43%
Transports	1,302,488	21,082	1,323,570	(33,500)	1,290,070	2.73%
Post offices	6,846	342	7,188	(637)	6,551	0.02%
Telecommunications	300,302	6,953	307,255	(17,254)	290,001	0.63%
Services						
Financial intermediation	1,485,974	176,409	1,662,383	(370,371)	1,292,012	3.43%
Real estate activities	1,330,875	252,942	1,583,817	(173,360)	1,410,457	3.27%
Consulting, scientific and technical activities	1,276,881	176,945	1,453,826	(497,378)	956,448	3.00%
Administrative and support services activities	530,344	23,877	554,221	(77,156)	477,065	1.14%
Public sector	1,057,358	946	1,058,304	(9,461)	1,048,843	2.18%
Education	127,743	1,863	129,606	(7,760)	121,846	0.27%
Health and collective service activities	287,638	2,235	289,873	(4,572)	285,301	0.60%
Artistic, sports and recreational activities	291,856	5,270	297,126	(78,942)	218,184	0.61%
Other services	190,947	266,208	457,155	(183,393)	273,762	0.94%
Consumer loans	3,355,395	319,990	3,675,385	(340,773)	3,334,612	7.58%
Mortgage credit	23,398,490	241,155	23,639,645	(238,231)	23,401,414	48.74%
Other domestic activities	1,316	501	1,817	(169)	1,648	0.00%
Other international activities	802,074	90,548	892,622	(85,034)	807,588	1.84%
	46,007,475	2,497,186	48,504,661	(3,149,304)	45,355,357	100%

The analysis of loans and advances to customers, as at 31 December 2017, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2017					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	290,910	16,167	307,077	(33,190)	273,887	0.63%
Fisheries	30,344	237	30,581	(1,003)	29,578	0.06%
Mining	57,054	8,059	65,113	(10,931)	54,182	0.13%
Food, beverage and tobacco	659,345	17,287	676,632	(15,048)	661,584	1.38%
Textiles	366,916	24,668	391,584	(24,302)	367,282	0.80%
Wood and cork	226,041	11,704	237,745	(22,013)	215,732	0.49%
Paper, printing and publishing	164,872	5,915	170,787	(11,984)	158,803	0.35%
Chemicals	594,773	45,707	640,480	(40,589)	599,891	1.31%
Machinery, equipment and basic metallurgical	1,119,654	62,540	1,182,194	(55,162)	1,127,032	2.42%
Electricity and gas	312,384	150	312,534	(1,232)	311,302	0.64%
Water	265,175	4,410	269,585	(13,210)	256,375	0.55%
Construction	1,703,791	604,806	2,308,597	(537,703)	1,770,894	4.72%
Retail business	1,180,700	84,765	1,265,465	(73,020)	1,192,445	2.59%
Wholesale business	1,938,869	128,818	2,067,687	(116,365)	1,951,322	4.23%
Restaurants and hotels	993,812	75,955	1,069,767	(110,249)	959,518	2.19%
Transports	1,282,627	31,780	1,314,407	(37,316)	1,277,091	2.69%
Post offices	4,629	381	5,010	(671)	4,339	0.01%
Telecommunications	308,656	6,490	315,146	(16,228)	298,918	0.64%
Services						
Financial intermediation	1,691,952	243,631	1,935,583	(456,655)	1,478,928	3.96%
Real estate activities	1,266,905	357,905	1,624,810	(227,753)	1,397,057	3.32%
Consulting, scientific and technical activities	1,583,463	217,534	1,800,997	(497,382)	1,303,615	3.68%
Administrative and support services activities	514,078	29,603	543,681	(66,757)	476,924	1.11%
Public sector	991,311	312	991,623	(2,731)	988,892	2.03%
Education	133,401	2,642	136,043	(6,342)	129,701	0.28%
Health and collective service activities	300,352	2,532	302,884	(3,975)	298,909	0.62%
Artistic, sports and recreational activities	318,003	6,030	324,033	(78,627)	245,406	0.66%
Other services	321,694	261,021	582,715	(163,246)	419,469	1.19%
Consumer loans	3,413,299	381,412	3,794,711	(373,513)	3,421,198	7.76%
Mortgage credit	23,154,719	253,257	23,407,976	(240,546)	23,167,430	47.86%
Other domestic activities	15	5,096	5,111	(76)	5,035	0.01%
Other international activities	760,782	63,678	824,460	(41,227)	783,233	1.69%
	45,950,526	2,954,492	48,905,018	(3,279,046)	45,625,972	100%

The caption Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B) and synthetic securitization. The characterization of these operations is described in note 1 E).

TRADITIONAL SECURITIZATIONS

Securitization transactions engaged by the Group refer to mortgage loans and are set through securitization funds and special purpose entities (SPEs). As at 30 September 2018, the loans and advances referred to these traditional securitization transactions amounts to Euros 420,682,000 (31 December 2017: Euros 464,513,000) As referred in accounting policy 1 B), when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 2

On 20 October 2003, the Group sold a mortgage loans portfolio owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE “Magellan Mortgages No. 2 PLC”. Considering that, by having acquired the total subordinated tranches issued by the SPE, the Group holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 B). As at 30 September 2018, the SPE's credit portfolio associated with this operation amounts to Euros 107,410,000, and the bonds issued with different subordination levels amount to Euros 96,048,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 12,106,000 and Euros 14,000,000 of the most subordinated tranche fully acquired).

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 B). As at 30 September 2018, the SPE's credit portfolio associated with this operation amounts to Euros 313,272,000, and bonds issued with different subordination levels amount to Euros 228,474,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 102,828,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

SYNTHETIC SECURITIZATIONS

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

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. The legal maturity date is 25 March of 2036 and as at 30 September 2018, the operation amounts to Euros 1,316,906,000. The fair value of the relative Credit Default Swap (CDS) is recorded in the amount of Euros 204,053,000 and the associated cost in the first nine months of 2018 amounts to Euros 7,396,000.

Caravela SME No. 4

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). The legal maturity date is 21 September of 2043 and as at 30 September 2018, the operation amounts to Euros 989,834,000. The fair value of the relative CDS is recorded at the amount of Euros 65,000,000 and their associated cost in the first nine months of 2018 amounts to Euros 979,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. 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 SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Group under the CDS context.

These operations involve the Bank's reduced exposure to the risks associated with the credit granted, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note C1.3.

As at 30 September 2018, the Total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	30 September 2018	1 January 2018
Total credit	53,340,621	53,191,852
Stage 1		
Gross amount	39,256,586	37,748,689
Impairment	(111,966)	(122,158)
	39,144,620	37,626,531
Stage 2		
Gross amount	7,434,332	7,930,520
Impairment	(190,713)	(255,083)
	7,243,619	7,675,437
Stage 3		
Gross amount	6,649,703	7,512,642
Impairment	(3,005,756)	(3,291,013)
	3,643,947	4,221,629
	50,032,186	49,523,597

As at 31 December 2017, the Total credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment according with IAS 39, is analysed as follows:

(Thousands of euros)

	31 December 2017
Total credit	53,446,741
Loans and advances to customers with signs of impairment	
Individually significant	
Gross amount	5,159,931
Impairment	(2,483,378)
	2,676,553
Collective analysis	
Gross amount	2,720,976
Impairment	(805,976)
	1,915,000
Loans and advances to customers without signs of impairment	45,565,834
Impairment (IBNR)	(120,567)
	50,036,820

The total credit portfolio presented in the tables above includes loans and advances to customers in the amount of Euros 48,504,661,000 (31 December 2017: Euros: 48,905,018,000) and guarantees granted and commitments to third parties balance (note 46), in the amount of Euros 4,835,960,000 (31 December 2017: Euros 4,541,723,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 C1.5 (2017: note 1 D1.1), including the provision for guarantees and other commitments to third parties (note 39), in the amount of Euros 159,131,000 (31 December 2017: Euros 130,875,000). The balance Impairment includes amounts related to the provision for irrevocable and revocable commitments of Euros 13,828,000 and Euros 6,160,000, respectively (31 December 2017: Euros 1,383,000 and Euros 0, respectively).

As at 30 September 2018, the analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering its fair value, is as follows:

(Thousands of euros)

	30 September 2018	1 January 2018
Stage 1		
Securities and other financial assets	1,591,909	1,716,294
Residential real estate	18,542,181	18,135,303
Other real estate	2,880,319	2,638,248
Other guarantees	3,265,167	3,290,036
	26,279,576	25,779,881
Stage 2		
Securities and other financial assets	267,172	300,757
Residential real estate	2,812,715	2,878,869
Other real estate	1,002,386	1,147,361
Other guarantees	494,724	541,780
	4,576,997	4,868,767
Stage 3		
Securities and other financial assets	440,046	524,419
Residential real estate	1,218,408	1,555,504
Other real estate	1,148,763	1,419,984
Other guarantees	490,294	719,007
	3,297,511	4,218,914
	34,154,084	34,867,562

As at 31 December 2017, the analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, split between loans with or without signs of impairment according with IAS 39, considering its fair value, is as follows:

(Thousands of euros)

	31 December 2017
Loans and advances to customers with impairment	
Individually significant	
Securities and other financial assets	491,535
Residential real estate	372,672
Other real estate	1,188,360
Other guarantees	644,484
	2,697,051
Collective analysis	
Securities and other financial assets	21,452
Residential real estate	1,336,562
Other real estate	197,310
Other guarantees	76,546
	1,631,870
Loans and advances to customers without impairment	
Securities and other financial assets	1,795,781
Residential real estate	20,775,733
Other real estate	3,657,581
Other guarantees	3,613,709
	29,842,804
	34,171,725

The balance Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Group (note 52), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

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)

	30 September 2018	31 December 2017
Agriculture and forestry	4,529	8,464
Fisheries	19	2,019
Mining	4,997	13,338
Food, beverage and tobacco	1,045	1,020
Textiles	265	554
Wood and cork	2,946	2,977
Paper, printing and publishing	398	450
Chemicals	2,055	2,108
Machinery, equipment and basic metallurgical	31,468	17,755
Electricity and gas	499	431
Water	123	250
Construction	38,728	32,135
Retail business	14,475	95,818
Wholesale business	92,487	16,888
Restaurants and hotels	12,770	10,252
Transports	4,229	13,372
Post offices	29	30
Telecommunications	20,552	80,701
Services		
Financial intermediation	436	495
Real estate activities	4,965	5,969
Consulting, scientific and technical activities	16,746	8,110
Administrative and support services activities	5,301	7,436
Public sector	64,794	41,070
Education	267	390
Health and collective service activities	880	89
Artistic, sports and recreational activities	386	381
Other services	5,882	1,546
Consumer loans	135,172	125,646
Mortgage credit	105,726	107,182
Other international activities	12,306	10,434
	584,475	607,310

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 176,461,000 (31 December 2017: Euros 169,912,000).

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined;

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

The definition of Non-Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 30 September 2018, the amount calculated is Euros 3,739,473,000 (31 December 2017: Euros 4,459,412,000).

The definition of Non-Performing Exposure (NPE) is as follows:

a) Total exposure of defaulted customers;
b) Total exposure of customers with signs of impairment;
c) Total exposure of customers whose overdue operations for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) Total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) Retail operations overdue for more than 90 days;
f) Operations restructured due to financial difficulties overdue for more than 30 days.

As at 30 September 2018, the NPE amounts to Euros 6,307,614,000 (31 December 2017: Euros 7,658,392,000).

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

(Thousands of euros)

	30 September 2018	31 December 2017
Balance on 1 January	3,279,046	3,706,346
Adjustments due to the implementation of IFRS 9 (note 57)		
Remeasurement under IFRS 9	235,111	n.a.
Reclassification under IFRS 9	8,508	n.a.
Charge for the period in net income interest (note 2)	29,430	n.a.
Other transfers (*)	(56,871)	(32,606)
Impairment charge for the period (note 10)	688,272	929,403
Reversals for the period (note 10)	(338,438)	(299,245)
Loans charged-off	(688,408)	(1,039,290)
Exchange rate differences	(7,346)	14,438
Balance at the end of the period	3,149,304	3,279,046

(*) The balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers, in the first nine months of 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

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

(Thousands of euros)

	30 September 2018	31 December 2017
Agriculture and forestry	4,571	1,843
Fisheries	147	22,020
Mining	1,911	773
Food, beverage and tobacco	1,807	4,107
Textiles	10,248	8,200
Wood and cork	3,745	3,213
Paper, printing and publishing	1,490	4,563
Chemicals	2,156	9,099
Machinery, equipment and basic metallurgical	19,462	13,492
Electricity and gas	5	103
Water	4,810	397
Construction	142,557	100,260
Retail business	20,342	38,479
Wholesale business	52,112	41,691
Restaurants and hotels	21,503	14,239
Transports	15,625	94,008
Post offices	48	181
Telecommunications	1,106	3,967
Services		
Financial intermediation	107,653	282,630
Real estate activities	54,287	54,842
Consulting, scientific and technical activities	72,351	18,541
Administrative and support services activities	8,998	9,442
Public sector	4	-
Education	645	825
Health and collective service activities	339	830
Artistic, sports and recreational activities	397	5,867
Other services	5,151	4,037
Consumer loans	122,783	264,426
Mortgage credit	10,615	18,725
Other domestic activities	769	14,740
Other international activities	771	3,750
	688,408	1,039,290

In compliance with the accounting policy described in note 1 C1.3 (2017: note 1 D1.1), 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 loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Public sector	4	-
Asset-backed loans	11,626	7,076
Other guaranteed loans	35,315	13,845
Unsecured loans	626,986	984,157
Factoring operations	2,910	1,841
Finance leases	11,567	32,371
	688,408	1,039,290

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

(Thousands of euros)

	30 September 2018	30 September 2017
Agriculture and forestry	37	55
Fisheries	-	42
Mining	-	125
Food, beverage and tobacco	127	193
Textiles	115	273
Wood and cork	53	215
Paper, printing and publishing	171	267
Chemicals	132	141
Machinery, equipment and basic metallurgical	104	243
Electricity and gas	1	-
Construction	1,041	2,881
Retail business	287	1,063
Wholesale business	224	1,997
Restaurants and hotels	25	123
Transports	193	979
Post offices	6	-
Telecommunications	1	20
Services		
Financial intermediation	2,238	162
Real estate activities	130	356
Consulting, scientific and technical activities	42	63
Administrative and support services activities	128	290
Health and collective service activities	-	10
Artistic, sports and recreational activities	4	6
Other services	96	6
Consumer loans	2,529	2,849
Mortgage credit	24	15
Other domestic activities	48	13
Other international activities	669	533
	8,425	12,920

The analysis of recovered loans and interest occurred during the first nine months of 2018 and 2017, by type of credit, is as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Asset-backed loans	24	12
Other guaranteed loans	1,057	1,884
Unsecured loans	6,321	10,470
Foreign loans	670	98
Factoring operations	-	74
Finance leases	353	382
	8,425	12,920

22. DEBT SECURITIES

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	185,615	241,381
Commercial paper	2,054,312	1,681,476
Foreign issuers		
Bonds	36,395	38,731
Commercial paper	19,703	21,465
	2,296,025	1,983,053
Overdue securities - over 90 days	55,353	67,353
	2,351,378	2,050,406
Impairment	(41,351)	(42,886)
	2,310,027	2,007,520
Debt securities held not associated with credit operations		
Public entities		
Portuguese issuers	47,019	n.a.
Foreign issuers	668,082	n.a.
Other entities		
Portuguese issuers	256,508	n.a.
Foreign issuers	66,893	n.a.
	1,038,502	n.a.
Impairment	(784)	n.a.
	1,037,718	n.a.
	3,347,745	2,007,520

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Debt securities held associated with credit operations		
Mining	20,694	18,353
Food, beverage and tobacco	54,421	42,566
Textiles	73,548	79,794
Wood and cork	10,855	6,001
Paper, printing and publishing	17,290	62,038
Chemicals	224,657	223,932
Machinery, equipment and basic metallurgical	56,353	50,887
Electricity and gas	199,157	219,537
Construction	7,736	86,678
Retail business	98,009	73,560
Wholesale business	68,107	64,559
Restaurants and hotels	8,504	12,794
Transports	50,282	23,627
Telecommunications	10,338	12,571
Services		
Financial intermediation	235,883	269,246
Real estate activities	14,577	35,091
Consulting, scientific and technical activities	1,077,362	643,484
Administrative and support services activities	17,047	16,004
Health and collective service activities	4,999	2,496
Other services	4,112	4,106
Other international activities	56,098	60,196
	2,310,029	2,007,520
Debt securities held not associated with credit operations		
Chemicals	25,434	n.a.
Construction	39,203	n.a.
Transports and communications	176,649	n.a.
Services		
Financial intermediation	66,892	n.a.
Consulting, scientific and technical activities	14,969	n.a.
	323,147	n.a.
Government and Public securities	714,569	n.a.
	1,037,716	n.a.
	3,347,745	2,007,520

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Debt securities held associated with credit operations		
Balance on 1 January	42,886	34,505
Adjustments due to the implementation of IFRS 9 (note 57)	2,946	-
Charge for the period in net income interest (note 2)	179	-
Other transfers	-	(581)
Impairment charge for the period (note 10)	-	10,516
Reversals for the period (note 10)	(4,660)	-
Loans charged-off	-	(1,554)
Balance at the end of the period	41,351	42,886
Debt securities held not associated with credit operations		
Balance on 1 January	n.a.	n.a.
Adjustments due to the implementation of IFRS 9 (note 57)	2,217	n.a.
Impairment charge for the period (note 10)	121	n.a.
Reversals for the period (note 10)	(1,553)	n.a.
Exchange rate differences	(1)	n.a.
Balance at the end of the period	784	n.a.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AVAILABLE FOR SALE

The balance Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt securities portfolio	360,233	152,711
Equity instruments	2,656	3,739
Trading derivatives	661,889	741,284
	1,024,778	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	278,603	n.a.
Debt securities portfolio	1,106,217	n.a.
Equity instruments	20,640	n.a.
	1,405,460	n.a.
Financial assets designated at fair value through profit or loss		
Debt securities portfolio	32,921	142,336
	32,921	142,336
Financial assets at fair value through other comprehensive income		
Debt securities portfolio	12,010,744	n.a.
Equity instruments	53,071	n.a.
	12,063,815	n.a.
Financial assets available for sale		
Debt securities portfolio	n.a.	10,338,522
Equity instruments	n.a.	1,133,325
	n.a.	11,471,847
	14,526,974	12,511,917

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1C.5. (2017: note 1D.2.3) in the amount of Euros 895,000 (31 December 2017: Euros 2,000).

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

(Thousands of euros)

	30 September 2018	31 December 2017
Public sector	40	n.a.
Asset-backed loans	10	n.a.
Unsecured loans	274,784	n.a.
	274,834	n.a.
Overdue loans - less than 90 days	951	n.a.
Overdue loans - Over 90 days	2,818	n.a.
	278,603	n.a.

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

(Thousands of euros)

	30 September 2018			31 December 2017
	Gross value	Fair value adjustments	Net value	Net value
Agriculture and forestry	19	(7)	12	n.a.
Mining	7	-	7	n.a.
Food, beverage and tobacco	68	(3)	65	n.a.
Textiles	51	(8)	43	n.a.
Wood and cork	44	(6)	38	n.a.
Paper, printing and publishing	50	(2)	48	n.a.
Chemicals	116	(8)	108	n.a.
Machinery, equipment and basic metallurgical	311	(14)	297	n.a.
Electricity and gas	8	(1)	7	n.a.
Water	30	(1)	29	n.a.
Construction	325	(31)	294	n.a.
Retail business	834	(103)	731	n.a.
Wholesale business	605	(75)	530	n.a.
Restaurants and hotels	135	(21)	114	n.a.
Transports	588	(67)	521	n.a.
Post offices	16	-	16	n.a.
Telecommunications	14	-	14	n.a.
Services				
Financial intermediation	91	(4)	87	n.a.
Real estate activities	45	(1)	44	n.a.
Consulting, scientific and technical activities	436	(40)	396	n.a.
Administrative and support services activities	795	(24)	771	n.a.
Public sector	3	-	3	n.a.
Education	115	(5)	110	n.a.
Health and collective service activities	45	(3)	42	n.a.
Artistic, sports and recreational activities	43	(1)	42	n.a.
Other services	292	(23)	269	n.a.
Consumer loans	289,357	(15,392)	273,965	n.a.
	294,443	(15,840)	278,603	n.a.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, as at 30 September 2018, is analysed as follows:

(Thousands of euros)

	30 September 2018				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt securities portfolio					
Bonds issued by public entities					
Portuguese issuers	4,476	-	32,921	5,279,630	5,317,027
Foreign issuers	296,506	-	-	3,916,386	4,212,892
Bonds issued by other entities					
Portuguese issuers	13,892	16,747	-	1,252,144	1,282,783
Foreign issuers	45,359	-	-	251,482	296,841
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	970,968	970,968
Foreign issuers	-	-	-	343,856	343,856
Investment fund units	-	1,089,470	-	-	1,089,470
	360,233	1,106,217	32,921	12,014,466	13,513,837
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	360,233	1,106,217	32,921	12,010,744	13,510,115
Equity instruments					
Shares					
Portuguese companies	2,028	-	-	25,486	27,514
Foreign companies	28	20,640	-	27,581	48,249
Other securities	600	-	-	4	604
	2,656	20,640	-	53,071	76,367
Trading derivatives	661,889	-	-	-	661,889
	1,024,778	1,126,857	32,921	12,063,815	14,248,371
Level 1	324,707	-	32,921	11,374,211	11,731,839
Level 2	367,794	-	-	662,493	1,030,287
Level 3	332,277	1,126,857	-	27,111	1,486,245

As at 30 September 2018, portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C). As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

As at 30 September 2018, the balances Financial assets at fair value through other comprehensive income and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No.1 and No. 4, referred in note 1 E) in the amount of Euros 623,000 and Euros 118,000, respectively.

The portfolio of Financial assets at fair value through profit or loss and Financial assets available for sale, net of impairment, net of impairment, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	31 December 2017			
	Financial assets at fair value through profit or loss			
	Held for trading	Designated at fair value through profit or loss	Available for sale	Total
Debt securities portfolio				
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
Equity instruments				
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
Level 1	149,910	142,336	8,224,992	8,517,238
Level 2	442,373	-	1,946,229	2,388,602
Level 3	305,451	-	1,300,626	1,606,077

As at 31 December 2017, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No.1 and No. 4, referred in note 1 E) in the amount of Euros 945,000 and Euros 125,000, respectively.

The portfolio of financial assets at fair value through other comprehensive income, as at 30 September 2018, is analysed as follows:

(Thousands of euros)

	30 September 2018					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value adjustments	Total
Bonds and other fixed income securities						
Bonds issued by public entities						
Portuguese issuers	5,211,822	-	5,211,822	140,542	(72,734)	5,279,630
Foreign issuers	3,910,380	-	3,910,380	-	6,006	3,916,386
Bonds issued by other entities						
Portuguese issuers (*)	1,220,303	(3,722)	1,216,581	75	31,766	1,248,422
Foreign issuers	251,236	(1,220)	250,016	152	1,314	251,482
Treasury bills and other Government bonds						
Portuguese issuers	970,719	-	970,719	-	249	970,968
Foreign issuers	343,856	-	343,856	-	-	343,856
	11,908,316	(4,942)	11,903,374	140,769	(33,399)	12,010,744
Shares and other variable income securities						
Shares						
Portuguese companies	63,772	-	63,772	-	(38,286)	25,486
Foreign companies	24,589	-	24,589	-	2,992	27,581
Other securities	2	-	2	-	2	4
	88,363	-	88,363	-	(35,292)	53,071
	11,996,679	(4,942)	11,991,737	140,769	(68,691)	12,063,815

(*) 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 adjustments	Total
Bonds and other fixed income securities						
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 (*)	1,309,425	(87,369)	1,222,056	(1,973)	71,554	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
	10,255,975	(88,797)	10,167,178	144,017	27,327	10,338,522
Shares and other variable income securities						
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	1,475,207	(408,226)	1,066,981	-	19,483	1,086,464
	1,585,351	(481,582)	1,103,769	-	29,556	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 at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 September 2018 is as follows:

(Thousands of euros)

	30 September 2018				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	2,000	-	-	-	2,000
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	49,797	1	-	-	49,798
Chemicals	-	2	-	-	2
Machinery, equipment and basic metallurgical	4,062	443	-	-	4,505
Construction	-	10	-	2,394	2,404
Retail business	4,195	1,556	-	-	5,751
Wholesale business	56,868	786	-	126	57,780
Restaurants and hotels	-	19,464	-	-	19,464
Transports	725,582	-	-	-	725,582
Telecommunications	-	7,751	-	-	7,751
Services					
Financial intermediation (*)	397,271	27,482	1,039,890	-	1,464,643
Real estate activities	-	-	42,115	-	42,115
Consulting, scientific and technical activities	158,330	227	-	-	158,557
Administrative and support services activities	-	11,326	-	-	11,326
Public sector	161,113	-	491	-	161,604
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	1	6,693	7,578	1	14,273
Other international activities	-	6	-	-	6
	1,575,902	75,763	1,090,074	3,722	2,745,461
Government and Public securities	9,529,919	-	1,314,824	-	10,844,743
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	11,105,821	75,763	2,404,898	-	13,586,482

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,022,927,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 56.

The analysis of Financial assets at fair value through profit or loss and Financial assets available for sale, 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 balance Other financial assets includes restructuring funds, in the amount of Euros 1,022,068,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 56.

24. FINANCIAL ASSETS HELD TO MATURITY

As at 31 December 2017, the balance Financial assets held to maturity was analysed as follows:

(Thousands of euros)

	31 December 2017
Bonds and other fixed income securities	
Issued by public entities	119,873
Issued by other entities	291,926
	411,799

25.HEDGING DERIVATIVES

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

(Thousands of euros)

	30 September 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Swaps	76,402	170,474	234,345	164,438
Others	196	-	-	12,899
	76,598	170,474	234,345	177,337

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39 (note 1 C.4), using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During the first nine months of 2018, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 17,448,000 (31 December 2017: positive amount Euros 26,586,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousands of euros)

Hedged items	30 September 2018	31 December 2017
Loans	3,865	4,825
Deposits	4,338	4,194
Debt issued	(41,556)	(48,415)
	(33,353)	(39,396)

26. INVESTMENTS IN ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Portuguese credit institutions	40,907	35,249
Foreign credit institutions	233,556	331,617
Other Portuguese companies	270,475	284,611
Other foreign companies	21,752	21,897
	566,690	673,374
Impairment	(78,515)	(102,012)
	488,175	571,362

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	30 September 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.	229,926	-	-	229,926	252,577
Banco Millennium Atlântico, S.A.	98,234	99,143	(60,504)	136,873	212,797
Unicre - Instituição Financeira de Crédito, S.A.	33,471	7,436	-	40,907	35,249
Banque BCP, S.A.S.	36,179	-	-	36,179	34,819
SIBS, S.G.P.S, S.A.	31,382	-	-	31,382	23,954
Mundotêxtil - Indústrias Têxteis, S.A.	6,632	-	-	6,632	6,198
Webspectator Corporation	90	18,011	(18,011)	90	87
Others	6,186	-	-	6,186	5,681
	442,100	124,590	(78,515)	488,175	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. In 2018 the impairment of the period for investments in associated companies amounts to Euros 11,617,000 related to Banco Millennium Atlântico, S.A. (note 12).

The Group's companies included in the consolidation perimeter are presented in note 58.

27. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018			31 December 2017		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,537,589	(207,743)	1,329,846	1,799,228	(234,840)	1,564,388
Assets belong to investments funds and real estate companies	575,385	(79,652)	495,733	536,911	(56,552)	480,359
Assets for own use (closed branches)	56,449	(15,779)	40,670	67,092	(14,886)	52,206
Equipment and other	57,479	(14,083)	43,396	48,045	(11,877)	36,168
Other assets	30,355	-	30,355	31,446	-	31,446
	2,257,257	(317,257)	1,940,000	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 H).

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. Additional information on these assets is presented in note 52.

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, considering the formal constraints, 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 68,458,00 (31 December 2017: Euros 77,152,000), of which Euros 11,226,000 (31 December 2017: Euros 7,079,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 8,496,000 (31 December 2017: Euros 4,832,000), of which Euros 3,009,000 (31 December 2017: Euros 0) relate to properties held by investment funds which was calculated considering the value of the respective contracts.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Balance on 1 January	318,155	227,579
Transfers	11,141	-
Charge for the period (note 12)	64,045	155,236
Reversals for the period (note 12)	(12,448)	(4,618)
Amounts charged-off	(63,603)	(60,173)
Exchange rate differences	(33)	131
Balance at the end of the period	317,257	318,155

The balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers, in the first nine months of 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

28. INVESTMENT PROPERTY

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

29. OTHER TANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Real estate	814,422	830,989
Equipment:		
Computer equipment	301,641	300,310
Security equipment	71,452	70,960
Interior installations	141,295	140,628
Machinery	45,241	45,279
Furniture	84,224	83,202
Motor vehicles	32,167	30,597
Other equipment	31,322	31,394
Work in progress	20,661	20,288
Other tangible assets	234	230
	1,542,659	1,553,877
Accumulated depreciation		
Charge for the period (note 9)	(32,098)	(41,685)
Charge for the previous periods	(1,026,325)	(1,021,769)
	(1,058,423)	(1,063,454)
	484,236	490,423

The changes occurred in Other tangible assets, during the first nine months of 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 30 September
Real estate	830,989	511	(21,048)	6,462	(2,492)	814,422
Equipment:						
Computer equipment	300,310	6,009	(6,086)	2,177	(769)	301,641
Security equipment	70,960	1,162	(644)	10	(36)	71,452
Interior installations	140,628	1,347	(3,253)	2,665	(92)	141,295
Machinery	45,279	850	(582)	203	(509)	45,241
Furniture	83,202	1,569	(917)	415	(45)	84,224
Motor vehicles	30,597	5,576	(3,723)	40	(323)	32,167
Other equipment	31,394	37	(923)	1,515	(701)	31,322
Work in progress	20,288	17,222	(421)	(16,303)	(125)	20,661
Other tangible assets	230	-	-	2	2	234
	1,553,877	34,283	(37,597)	(2,814)	(5,090)	1,542,659
Accumulated depreciation						
Real estate	(442,632)	(13,895)	17,888	1,343	1,521	(435,775)
Equipment:						
Computer equipment	(274,652)	(8,202)	5,792	3	546	(276,513)
Security equipment	(65,726)	(1,117)	644	67	25	(66,107)
Interior installations	(128,313)	(1,758)	3,144	98	41	(126,788)
Machinery	(42,093)	(474)	580	-	470	(41,517)
Furniture	(74,571)	(1,655)	830	32	19	(75,345)
Motor vehicles	(12,876)	(3,483)	2,622	-	85	(13,652)
Other equipment	(22,555)	(1,514)	923	(26)	482	(22,690)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,063,454)	(32,098)	32,423	1,517	3,189	(1,058,423)
	490,423	2,185	(5,174)	(1,297)	(1,901)	484,236

The changes occurred in Other tangible assets, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Real estate	841,497	5,760	(25,548)	807	8,473	830,989
Equipment:						
Computer equipment	286,268	10,734	(3,442)	4,258	2,492	300,310
Security equipment	71,391	707	(1,558)	181	239	70,960
Interior installations	136,563	1,808	(761)	2,403	615	140,628
Machinery	44,642	444	(1,130)	129	1,194	45,279
Furniture	82,947	2,391	(2,696)	280	280	83,202
Motor vehicles	24,857	13,311	(8,448)	-	877	30,597
Other equipment	29,696	55	(2,913)	3,043	1,513	31,394
Work in progress	16,532	29,699	(1,181)	(25,309)	547	20,288
Other tangible assets	219	1	(1)	-	11	230
	1,534,612	64,910	(47,678)	(14,208)	16,241	1,553,877
Accumulated depreciation						
Real estate	(450,020)	(19,417)	25,231	5,462	(3,888)	(442,632)
Equipment:						
Computer equipment	(266,480)	(9,572)	3,327	4	(1,931)	(274,652)
Security equipment	(65,590)	(1,609)	1,548	103	(178)	(65,726)
Interior installations	(126,747)	(2,050)	756	34	(306)	(128,313)
Machinery	(41,485)	(644)	1,130	1	(1,095)	(42,093)
Furniture	(75,123)	(1,964)	2,543	102	(129)	(74,571)
Motor vehicles	(13,192)	(4,233)	4,983	10	(444)	(12,876)
Other equipment	(22,072)	(2,196)	2,794	(10)	(1,071)	(22,555)
Other tangible assets	(37)	-	1	-	-	(36)
	(1,060,746)	(41,685)	42,313	5,706	(9,042)	(1,063,454)
	473,866	23,225	(5,365)	(8,502)	7,199	490,423

30. GOODWILL AND INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	112,269	115,094
Real estate and mortgage credit	40,859	40,859
Others	26,779	20,976
	179,907	176,929
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(16,473)	(16,473)
	(57,332)	(57,332)
	122,575	119,597
Intangible assets		
Software	131,756	122,124
Other intangible assets	56,588	56,731
	188,344	178,855
Accumulated amortization		
Charge for the period (note 9)	(10,798)	(11,897)
Charge for the previous periods	(131,376)	(122,149)
	(142,174)	(134,046)
	46,170	44,809
	168,745	164,406

The changes occurred in Goodwill and intangible assets balances, during the first nine months of 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 30 September
Goodwill - Differences arising on consolidation	176,929	5,807	-	-	(2,829)	179,907
Impairment for goodwill	(57,332)	-	-	-	-	(57,332)
	119,597	5,807	-	-	(2,829)	122,575
Intangible assets						
Software	122,124	13,241	(604)	(1,246)	(1,759)	131,756
Other intangible assets	56,731	6	-	1,246	(1,395)	56,588
	178,855	13,247	(604)	-	(3,154)	188,344
Accumulated depreciation:						
Software	(80,286)	(9,761)	2	132	1,344	(88,569)
Other intangible assets	(53,760)	(1,037)	-	(132)	1,324	(53,605)
	(134,046)	(10,798)	2	-	2,668	(142,174)
	44,809	2,449	(602)	-	(486)	46,170
	164,406	8,256	(602)	-	(3,315)	168,745

The changes occurred in Goodwill and intangible assets balances, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	197,660	4	(10,401)	-	(10,334)	176,929
Impairment for goodwill	(67,729)	(4)	10,401	-	-	(57,332)
	129,931	-	-	-	(10,334)	119,597
Intangible assets						
Software	101,739	22,211	(5,829)	-	4,003	122,124
Other intangible assets	52,509	1,272	(1)	-	2,951	56,731
	154,248	23,483	(5,830)	-	6,954	178,855
Accumulated depreciation:						
Software	(72,229)	(11,060)	5,828	275	(3,100)	(80,286)
Other intangible assets	(49,844)	(837)	-	(275)	(2,804)	(53,760)
	(122,073)	(11,897)	5,828	-	(5,904)	(134,046)
	32,175	11,586	(2)	-	1,050	44,809
	162,106	11,586	(2)	-	(9,284)	164,406

According to the accounting policy described in note 1 B3), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value.

In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2017, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

During the first nine months of 2018, there were no factors showing the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill.

BANK MILLENNIUM, S.A. (POLAND)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2022. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally, it was taken into consideration the market performance of Bank Millennium, S.A. in the Polish capital market and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded that there is no reason to book impairment charges regarding this subsidiary.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2018 to 2022, considering, along this period, a compound annual growth rate of 6.1% for Total Assets and of 9.6% for Total Equity, while considering a ROE evolution from 8.9% in 2018 to 9.2% by the end of the period. The exchange rate EUR/PLN considered was 4.1756 at the end of 2017 (December 2017 average: 4.2020). The Cost of Equity considered was 9.625% for the period 2018-2022 and in perpetuity. The annual growth rate in perpetuity (g) was 2.6%.

31. INCOME TAX

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

(Thousands of euros)

	30 September 2018			31 December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	973,317	-	973,317	976,535	-	976,535
Employee benefits	836,580	-	836,580	838,769	-	838,769
	1,809,897	-	1,809,897	1,815,304	-	1,815,304
Deferred taxes depending on the future profits						
Impairment losses	801,954	(50,303)	751,651	1,001,097	(50,303)	950,794
Tax losses carried forward	320,282	-	320,282	321,774	-	321,774
Employee benefits	37,599	(608)	36,991	32,026	(1,804)	30,222
Financial assets at fair value through other comprehensive income	138,016	(139,243)	(1,227)	n.a.	n.a.	n.a.
Financial assets available for sale	n.a.	n.a.	n.a.	33,531	(26,461)	7,070
Derivatives	-	(6,250)	(6,250)	-	(6,821)	(6,821)
Intangible assets	39	-	39	39	-	39
Other tangible assets	10,417	(3,053)	7,364	9,827	(3,409)	6,418
Others	40,571	(19,007)	21,564	26,344	(19,407)	6,937
	1,348,878	(218,464)	1,130,414	1,424,638	(108,205)	1,316,433
Total deferred taxes	3,158,775	(218,464)	2,940,311	3,239,942	(108,205)	3,131,737
Offset between deferred tax assets and deferred tax liabilities	(213,471)	213,471	-	(102,175)	102,175	-
Net deferred taxes	2,945,304	(4,993)	2,940,311	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 applied 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:

	30 September 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:

(Thousands of euros)

Maturity	30 September 2018	31 December 2017
2018	243	1,870
2019-2025	247	112
2026	80,758	80,758
2028 and following	239,034	239,034
	320,282	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 (IAS 39 - Financial Instruments: Recognition and Measurement until 31 December 2017 and IFRS 9 - Financial Instruments from1 January 2018), 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 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.

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 calculating the maximum limits of impairment losses accepted for tax purposes.

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

ANALYSIS OF THE RECOVERABILITY OF DEFERRED TAX ASSETS

In accordance with the accounting policy 1 Z.3), 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, while incorporate the Group's strategic priorities.

To estimate 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;
- In the absence of a transitional regime that establishes the tax treatment to be given to the transition adjustments resulting from the adoption of IFRS 9, the general rules of the IRC Code have been applied;
- 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, 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 30 September 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.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 30 September 2018.

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

(Thousands of euros)

Tax losses carried forward	30 September 2018	31 December 2017
2017	-	2,258
2018	1,567	1,595
2019-2025	152,561	1,772
2026	132,888	132,901
2027 and following	279,859	279,887
	566,875	418,413

The impact of income taxes in Net income and in other captions of Group's equity, as at 30 September 2018, is analysed as follows:

(Thousands of euros)

	30 September 2018			
		Reserves and retained earnings		
	Net income for the period	Impact of adoption of IFRS 9	Movement of the period	Exchange differences
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(3,494)	276	-	-
Employee benefits	(2,189)	-	-	-
	(5,683)	276	-	-
Deferred taxes depending on the future profits				
Impairment losses (b)	(20,055)	(182,551)	4,945	(1,482)
Tax losses carried forward	(10,370)	-	8,856	22
Employee benefits	7,533	-	(669)	(95)
Financial assets at fair value through other comprehensive income	(10,076)	40,038	(26,433)	(4,756)
Financial assets available for sale	n.a.	(7,070)	n.a.	n.a.
Derivatives	407	-	-	164
Other tangible assets	964	-	-	(18)
Others	5,325	(324)	9,909	(283)
	(26,272)	(149,907)	(3,392)	(6,448)
	(31,955)	(149,631)	(3,392)	(6,448)
Current taxes				
Actual period	(79,010)	1,047	(958)	-
Correction of previous periods	1,460	-	-	-
	(77,550)	1,047	(958)	-
	(109,505)	(148,584)	(4,350)	(6,448)

(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.

(b) - The tax on reserves and retained earnings refers to the impact of the transition adjustment resulting from the adoption of IFRS 9 at the level of deferred tax assets.

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 30 September 2017, is analysed as follows:

(Thousands of euros)

	30 September 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	2,259	-	-
	2,259	-	-
Deferred taxes depending on the future profits			
Impairment losses	8,248	-	(120)
Tax losses carried forward	(825)	(745)	298
Employee benefits	6,511	(7,781)	(312)
Financial assets available for sale	-	(60,176)	1,956
Derivatives	654	-	(190)
Other tangible assets	3,083	-	35
Others	(210)	-	(1,987)
	17,461	(68,702)	(320)
	19,720	(68,702)	(320)
Current taxes			
Actual period	(84,413)	7	-
Correction of previous periods	1,582	-	-
	(82,831)	7	-
	(63,111)	(68,695)	(320)

(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)

	30 September 2018	30 September 2017
Net income / (loss) before income taxes	448,997	271,198
Current tax rate (%)	31.5%	29.5%
Expected tax	(141,433)	(80,003)
Employees' benefits	5,657	17,002
Tax benefits	10,940	6,403
Correction of previous periods	(907)	2,965
Effect of difference of rate tax and deferred tax recognised / not recognised previously	15,285	7,520
Impact of the Special Regime for Taxation of Companies Groups	6,238	-
Non-deductible impairment and provisions	(2,786)	11,141
Other accruals and deductions for calculating the taxable income	(2,451)	(28,166)
Results of companies accounted by the equity method	22,638	16,753
Autonomous tax	(1,719)	(1,323)
Contribution to the banking sector	(20,967)	(15,403)
Total	(109,505)	(63,111)
Effective rate (%)	24.39%	23.27%

32. OTHER ASSETS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Deposit account applications	106,651	136,255
Associated companies	3,818	579
Subsidies receivables	7,482	3,794
Prepaid expenses	42,999	31,063
Debtors for futures and options transactions	109,543	97,830
Insurance activity	6,539	8,256
Debtors		
Residents		
Advances to suppliers	999	887
Prosecution cases / agreements with the Bank	11,010	12,126
SIBS	6,496	7,136
Receivables from real estate, transfers of assets and other securities	40,466	31,012
Others	68,606	86,780
Non-residents	30,234	28,904
Interest and other amounts receivable	44,411	41,119
Amounts receivable on trading activity	36,845	108,410
Gold and other precious metals	3,665	3,639
Other financial investments	165	165
Other recoverable tax	24,395	24,693
Artistic patrimony	28,843	28,845
Capital supplementary contributions	5,279	8,318
Reinsurance technical provision	5,506	12,930
Obligations with post-employment benefits (note 49)	108,719	116,781
Capital supplies	225,580	221,055
Amounts due for collection	34,369	36,636
Amounts due from customers	201,129	130,954
Sundry assets	110,005	156,503
	1,263,754	1,334,670
Impairment for other assets	(283,749)	(282,646)
	980,005	1,052,024

As referred in note 56, the balance Capital supplies includes the amount of Euros 222,810,000 (31 December 2017: Euros 219,656,000) and the balance Capital supplementary contributions included, in 31 December 2017, the amount of Euros 2,939,000 arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 30 September 2018, the caption Deposit account applications includes the amount of Euros 67,086,000 (31 December 2017: Euros 94,770,000) on the Clearing houses / Clearing derivatives.

The caption Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

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

(Thousands of euros)

	30 September 2018	31 December 2017
Balance on 1 January	282,646	267,389
Other transfers	48,892	41,243
Charge for the period (note 12)	6,048	13,616
Reversals for the period (note 12)	(864)	(1,029)
Amounts charged-off	(52,964)	(38,635)
Exchange rate differences	(9)	62
Balance at the end of the period	283,749	282,646

33. RESOURCES FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Resources and other financing from Central Banks		
Bank of Portugal	3,985,947	3,969,732
Central Banks abroad	141,358	172,226
	4,127,305	4,141,958
Resources from credit institutions in Portugal		
Very short-term deposits	-	19,993
Sight deposits	119,329	104,155
Term Deposits	298,962	89,247
Loans obtained	1,142	1,095
Other resources	3,211	1,569
	422,644	216,059
Resources from credit institutions abroad		
Very short-term deposits	-	83
Sight deposits	145,651	121,208
Term Deposits	227,095	454,713
Loans obtained	1,795,514	1,715,246
Sales operations with repurchase agreement	835,486	827,913
Other resources	9,829	10,177
	3,013,575	3,129,340
	7,563,524	7,487,357

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"), the amount of Euros 30,934,000 (31 December 2017: Euros 231,621,000). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

34. RESOURCES FROM CUSTOMERS AND OTHER LOANS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Deposits from customers:		
Repayable on demand	28,714,589	25,447,443
Term deposits	18,136,998	19,310,419
Saving accounts	3,337,765	3,016,883
Treasury bills and other assets sold under repurchase agreement	91,729	129,764
Cheques and orders to pay	478,111	370,295
Others	1,327	10,621
	50,760,519	48,285,425

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

35. NON SUBORDINATED DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Bonds	322,335	709,225
Covered bonds	993,937	992,725
Medium term notes (MTNs)	77,900	20,365
Securitizations	307,970	338,011
	1,702,142	2,060,326
Accruals	5,554	6,212
	1,707,696	2,066,538

36. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Bonds		
Non Perpetual	1,041,193	1,133,427
Perpetual	27,021	27,092
	1,068,214	1,160,519
Accruals	29,478	8,543
	1,097,692	1,169,062

As at 30 September 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:						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	56,873
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	32,086
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	17,908
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,688	1,354
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	54,714	9,944
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	44,213	8,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	30,044	6,340
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,674	3,601
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,893	6,491
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,758	15,385
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,840	7,667
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,799	9,217
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,672	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	163,525	163,525	45,756
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,354	79,229	16,651
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,041,193	538,117
Perpetual Bonds						
Banco Comercial Português:						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	22,035
BCP Leasing 2001	December, 2001	See reference (i)	Euribor 3M+2,25%	4,986	4,986	4,986
					27,021	27,021
Accruals					29,478	-
					1,097,692	565,138

References:

Date of exercise of the next call option - The dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) - December 2018.

Interest rate

(ii) 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%.

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	March, 2021	Euribor 3M + 3.75%	114,000	114,000	73,973
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	41,701
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	23,158
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,832	2,479
BCP Subord set 2019-EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	55,251	17,444
BCP Subord nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	44,338	14,844
MBCP Subord dez 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,945	10,330
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,504	5,701
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,722	9,941
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,412	23,035
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,632	11,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,465	13,154
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (xi)	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 (xii)	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%.

37. FINANCIAL LIABILITIES HELD FOR TRADING

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Short selling securities	12,257	-
Trading derivatives (note 23):		
Swaps	282,164	377,553
Options	4,335	2,385
Embedded derivatives	7,541	10,274
Forwards	3,528	6,334
Others	772	2,555
	298,340	399,101
	310,597	399,101
Level 1	255	1,019
Level 2	290,091	387,157
Level 3	20,251	10,925

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The balance Financial liabilities held for trading includes, as at 30 September 2018, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1C.5. (2017: nota 1D.2.3) in the amount of Euros 7,541,000 (31 December 2017: Euros 10,274,000). This note should be analysed together with note 23.

38. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Deposits from customers	2,863,851	2,902,392
Debt securities at fair value through profit and loss		
Bonds	1,034	13,368
Medium term notes (MTNs)	187,055	160,466
	188,089	173,834
Accruals	434	3,500
	188,523	177,334
Certificates	779,558	763,919
	3,831,932	3,843,645

39. PROVISIONS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Provision for guarantees and other commitments	159,131	130,875
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	8,130	8,627
Life insurance	4,606	27,531
For participation in profit and loss	169	3,863
Other technical provisions	17,537	18,013
Other provisions for the insurance activity	8	-
Other provisions for liabilities and charges	142,315	135,249
	331,896	324,158

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

(Thousands of euros)

	30 September 2018	31 December 2017
Balance on 1 January	130,875	128,056
Adjustments due to the implementation of IFRS 9 (note 57)	14,714	-
Other transfers	(2,125)	-
Charge for the period (note 13)	46,697	18,537
Reversals for the period (note 13)	(30,802)	(15,953)
Exchange rate differences	(228)	235
Balance at the end of the period	159,131	130,875

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

(Thousands of euros)

	30 September 2018	31 December 2017
Balance on 1 January	135,249	131,506
Transfers resulting from changes in the Group's structure	653	3
Other transfers	1,856	(655)
Charge for the period (note 13)	15,300	16,463
Reversals for the period (note 13)	(267)	(2,337)
Amounts charged-off	(10,063)	(10,364)
Exchange rate differences	(413)	633
Balance at the end of the period	142,315	135,249

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 62,650,000 (31 December 2017: Euros 63,669,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

40. OTHER LIABILITIES

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Creditors:		
Associated companies	28	82
Suppliers	36,386	39,197
From factoring operations	26,750	24,937
For futures and options transactions	19,208	10,972
For direct insurance and reinsurance operations	3,519	6,056
Deposit account and other applications	56,361	56,467
Obligations not covered by the Group Pension Fund - amounts payable by the Group	13,058	21,281
Other creditors		
Residents	39,841	32,259
Non-residents	37,953	38,568
Holiday pay and subsidies	68,493	56,685
Interests and other amounts payable	37,406	19,821
Operations to be settled - foreign, transfers and deposits	275,107	333,205
Amounts payable on trading activity	22,721	1,441
Other administrative costs payable	3,581	3,527
Deferred income	69,817	67,009
Loans insurance received and to amortised	59,081	57,010
Public sector	29,034	35,631
Other liabilities	217,545	184,345
	1,015,889	988,493

The caption Obligations not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 6,574,000 (31 December 2017: Euros 9,309,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2017: Euros 3,733,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 49. This balance also includes the amount of Euros 5,000,000 regarding to restructuration costs. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Group.

The caption Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

41. SHARE CAPITAL, PREFERENCE SHARES AND OTHER EQUITY INSTRUMENTS

The Bank's share capital, as at 30 September 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.

As at 30 September 2018, 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 30 September 2018, the balance preference shares amounts to Euros 59,910,000.

As at 30 September 2018, 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.

The balance 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 F), 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.

As at 30 September 2018, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,089,789,779	27.06%	27.06%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	512,328,512	3.39%	3.39%
EDP Pension Fund (**)	319,113,690	2.11%	2.11%
Total Qualified Shareholdings	7,867,585,895	52.06%	52.06%

(*) In accordance with the announcement on March 5, 2018 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

42. LEGAL AND STATUTORY RESERVES

Under Portuguese legislation, the Bank is required to annually set-up 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. In accordance with the proposal for the application of the 2017 results approved at the General Shareholders' Meeting on 30 May 2018, the Bank increased its legal reserve in the amount of Euros 11,802,000. Thus, as at 30 September 2018, the amount of Legal reserves amounts to Euros 234,608,000 (31 December 2017: Euros 222,806,000).

In accordance with current Portuguese 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 44).

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.

43. TREASURY SHARES

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares	Other treasury stock	Total
30 September 2018			
Net book value (Euros '000)	83	208	291
Number of securities	323,738 (*)		
Average book value (Euros)	0.26		
31 December 2017			
Net book value (Euros '000)	88	205	293
Number of securities	323,738 (*)		
Average book value (Euros)	0.27		

(*) As at 30 September 2018, Banco Comercial Português, S.A. does not hold treasury shares and did not purchased or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2017: 323,738 shares) owned by clients. Since 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".

Regarding treasury shares owned by associated companies of the BCP Group, as at 30 September 2018, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2017: 142,601,002 shares) in the amount of Euros 36,363,000 (31 December 2017: Euros 38,531,000), as referred in note 50.

44. FAIR VALUE RESERVES AND RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(33,399)	n.a.
Equity instruments	(35,292)	n.a.
Financial assets available for sale (note 23)		
Debt instruments (*)	n.a.	27,327
Equity instruments	n.a.	29,556
Financial assets held to maturity (**)	n.a.	(3,049)
Of associated companies and others	25,065	29,199
Cash-flow hedge	21,402	12,985
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	3,279	-
	(18,945)	96,018
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	14,625	n.a.
Equity instruments	3,701	n.a.
Financial assets available for sale		
Debt instruments	n.a.	(830)
Equity instruments	n.a.	(7,545)
Financial assets held to maturity	n.a.	141
Cash-flow hedge	(7,836)	(5,694)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(1,026)	n.a.
	9,464	(13,928)
	(9,481)	82,090
Reserves and retained earnings		
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(37,165)	(26,733)
BIM - Banco International de Moçambique, S.A.	(154,734)	(151,710)
Banco Millennium Atlântico, S.A.	(96,664)	(10,841)
Others	2,413	5,165
	(286,150)	(184,119)
Actuarial losses		
Gross amount	(3,265,238)	(3,256,068)
Taxes	664,034	665,251
	(2,601,204)	(2,590,817)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	42,684	28,428
Others	(5,116)	(3,965)
	37,568	24,463
Other reserves and retained earnings	2,456,575	2,712,343
	(393,211)	(38,130)

(*) 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 changes correspond to the accumulated 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 C (2017:1 D).

During first nine months of 2018, the changes occurred in Fair value reserves, excluding the effect of hedge accounting and changes in credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 31 December 2017	Adjustments due to the implementation of IFRS 9	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 30 September 2018
Millenniumbcp Ageas	25,032	-	(4,679)	-	-	-	20,353
Portuguese public debt securities	(57,774)	(381)	(2,490)	5,839	-	(17,678)	(72,484)
Visa Inc.	2,927	(2,927)	-	-	-	-	-
Other investments	112,848	(88,997)	(11,986)	(2,591)	(3,643)	2,874	8,505
	83,033	(92,305)	(19,155)	3,248	(3,643)	(14,804)	(43,626)

The negative amount of Euros 92,305,000 of adjustments due to the implementation of IFRS 9 corresponds, as described in note 57, to the impact arising from the adoption of IFRS in the balance Investments in associates and changes due to changes in the classification of securities.

As at 30 September 2018, the Disposals regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income, corresponding to a gain of Euros 44,718,000 and a loss of Euros 29,914,000, respectively.

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2017, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2017	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2017
Millenniumbcp Ageas	(976)	26,008	-	-	-	25,032
Portuguese public debt securities	(295,433)	361,778	(68,400)	-	(55,719)	(57,774)
Visa Inc.	644	2,283	-	-	-	2,927
Other investments	59,017	33,520	1,212	63,421	(44,322)	112,848
	(236,748)	423,589	(67,188)	63,421	(100,041)	83,033

45. NON-CONTROLLING INTERESTS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Exchange differences arising on consolidation	(111,207)	(87,009)
Actuarial losses (net of taxes)	256	256
Fair value changes		
Debt instruments	8,960	6,214
Equity instruments	2,938	850
Cash-flow hedge	(9,705)	(13,199)
Other	18	88
Deferred taxes		
Debt instruments	(1,702)	(1,427)
Equity instruments	(558)	(161)
Cash-flow hedge	1,844	2,508
	(109,156)	(91,880)
Other reserves and retained earnings	1,245,192	1,190,801
	1,136,036	1,098,921

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2018	31 December 2017	30 September 2018	30 September 2017
Bank Millennium, S.A.	945,544	928,855	64,371	58,760
BIM - Banco International de Moçambique, SA (*)	151,877	137,958	25,735	20,751
Other subsidiaries	38,615	32,108	(6,333)	(3,483)
	1,136,036	1,098,921	83,773	76,028

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

46. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Guarantees granted		
Guarantees	4,322,558	3,913,735
Stand-by letter of credit	60,987	60,991
Open documentary credits	312,865	375,384
Bails and indemnities	139,550	191,613
	4,835,960	4,541,723
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	8,848	17,322
Irrevocable credit lines	2,980,655	3,400,460
Securities subscription	99,570	106,419
Other irrevocable commitments	114,829	111,605
Revocable commitments		
Revocable credit lines	4,124,373	4,027,811
Bank overdraft facilities	526,111	612,248
Other revocable commitments	32,817	50,679
	7,887,203	8,326,544
Guarantees received	24,660,058	26,084,077
Commitments from third parties	9,501,910	11,031,241
Securities and other items held for safekeeping	68,112,776	67,670,271
Securities and other items held under custody by the Securities Depository Authority	68,339,499	62,485,697
Other off balance sheet accounts	127,037,089	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 39).

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 are 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.

47. RELEVANT EVENTS OCCURRED DURING FIRST NINE MONTHS OF 2018

RESOLUTION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

O Banco Comercial Português, S.A. conclude on 30 May 2018, with 63.04% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One - Approval of the individual and consolidated annual report, balance sheet and financial statements of 2017;

Item Two - Approval of the proposal for the appropriation of profits from 2017;

Item Three - Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four - Approval of the remuneration policy of Members of Management and Supervision Bodies;

Item Five - Approval of the proposal to change the Retirement Regulations for Executive Directors of Banco Comercial Português, S.A. contemplating the possibility of attribution of a unique contribution for the purposes of retirement supplement of the members of the Executive Committee;

Item Six - Approval of the internal policy for the selection and evaluation of the adequacy of the members of the management and supervision bodies;

Item Seven - Regarding the articles of association, approval of: alteration of articles 10.º, 13.º, 15.º, 17.º, 25.º, 28.º, 29.º, 35.º, 36.º, 37.º and 38.º; addition of new articles 40.º to 45.º; renumbering of current articles 40.º and following, changing the current articles 40.º, 41.º and 48.º; and amendment of article 29.º, the entering into force of the latter being subject to the suspensive condition of approval by the European Central bank;

Item Eight - Election of the Board of Directors for the term-of-office beginning in 2018, including the Audit Committee. The effects of this proposal are subject to obtaining from the European Central Bank the authorization for the exercise of functions for the majority of the members of the Board of Directors, Audit Committee and Executive Committee.

Item Nine - Election of the Remuneration and Welfare Board for the term-of-office beginning in 2018;

Item Ten - Approval of the acquisition and sale of own shares and bonds.

Following the European Central Bank authorization, the Board of Directors elected at the Annual General Meeting of Shareholders held on 30 May 2018, took office on 23 July 2018.

PREFERENCE SHARES BCP FINANCE COMPANY

On 12 September 2018, BCP Finance Company announced the early redemption of the Preference Shares Series C and the Preference Shares Series D, through the exercise of an Issuer's call-option in accordance with the corresponding Terms and Conditions. As so, Series D and Series C will be redeemed, in full and at its nominal value plus any accrued and unpaid Dividends, on its next Dividend Dates, i.e., 15 October 2018 and 10 December 2018, respectively.

48. FAIR VALUE

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Group's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

CASH AND DEPOSITS AT CENTRAL BANKS AND LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

LOANS AND ADVANCES TO CREDIT INSTITUTIONS, DEPOSITS FROM CREDIT INSTITUTIONS AND ASSETS WITH REPURCHASE AGREEMENTS

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.4% as at 30 September 2018 (31 December 2017: 0.00%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

LOANS AND ADVANCES TO CUSTOMERS AND DEPOSITS REPAYABLE ON DEMAND WITHOUT DEFINED MATURITY DATE

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

LOANS AND ADVANCES TO CUSTOMERS WITH DEFINED MATURITY DATE

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Group for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

RESOURCES FROM CUSTOMERS AND OTHER LOANS

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group. This was calculated from the average production of the three most recent months compared to the reporting date.

As at 30 September 2018, the average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	0.77%	3.51%	0.24%	-0.06%
AUD	n.a.	n.a.	n.a.	2.47%
CAD	n.a.	n.a.	n.a.	2.31%
CHF	n.a.	2.95%	-0.22%	-0.56%
CNY	n.a.	n.a.	n.a.	4.27%
DKK	n.a.	n.a.	n.a.	-0.16%
GBP	n.a.	n.a.	n.a.	0.95%
HKD	n.a.	2.84%	n.a.	2.82%
MOP	3.48%	n.a.	n.a.	2.48%
MZN	n.a.	23.81%	n.a.	7.32%
NOK	0.98%	5.96%	n.a.	1.49%
PLN	1.49%	6.08%	1.43%	1.20%
SEK	-0.36%	n.a.	n.a.	-0.06%
USD	3.02%	6.66%	2.89%	1.59%
ZAR	7.38%	16.16%	n.a.	-0.69%

As at 31 December 2017, the average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	0.67%	3.70%	0.28%	0.08%
AOA	20.91%	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	2.08%
CAD	n.a.	1.66%	n.a.	1.90%
CHF	n.a.	2.67%	-0.11%	-0.42%
CNY	n.a.	n.a.	n.a.	3.95%
DKK	n.a.	n.a.	n.a.	-0.02%
GBP	0.80%	3.39%	n.a.	0.77%
HKD	n.a.	1.51%	n.a.	1.16%
MOP	n.a.	1.25%	n.a.	1.51%
MZN	22.26%	42.48%	n.a.	32.48%
NOK	0.80%	4.36%	n.a.	1.25%
PLN	1.91%	6.24%	1.90%	1.69%
SEK	n.a.	n.a.	n.a.	0.02%
USD	1.99%	16.76%	2.08%	3.21%
ZAR	7.28%	29.12%	n.a.	17.11%

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUH PROFIT OR LOSS (EXCEPT DERIVATIVES), FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (IFRS9) AND FINANCIAL ASSETS AVAILABLE FOR SALE (IAS 39)

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of the prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

FINANCIAL ASSETS MEASURED AT AMORTISED COST - DEBT INSTRUMENTS

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

HEDGING AND TRADING DERIVATIVES

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

DEBT SECURITIES NON SUBORDINATED ISSUED AND SUBORDINATED DEBT

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	30 September 2018		31 December 2017	
	EUR	PLN	EUR	PLN
Placed in the institutional market				
Subordinated	5.72%	-	6.42%	-
Senior (including guaranteed by the State and mortgage)	0.08%	2.65%	0.13%	2.45%
Placed in retail				
Subordinated	2.20%	-	2.01%	-
Senior and collateralised	0.57%	2.50%	1.06%	2.92%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a negative amount of Euros 14,785,000 (31 December 2017: a negative amount of Euros 14,199,000) and includes a payable amount of Euros 7,541,000 (31 December 2017: a payable amount of Euros 10,272,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 30 September 2018, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	2.25%	0.80%	1.49%
7 days	-0.43%	2.35%	0.81%	1.49%
1 month	-0.42%	2.38%	0.80%	1.54%
2 months	-0.39%	2.43%	0.84%	1.58%
3 months	-0.36%	2.76%	0.95%	1.62%
6 months	-0.32%	2.81%	1.00%	1.69%
9 months	-0.26%	2.94%	1.10%	1.72%
1 year	-0.24%	2.76%	1.17%	1.77%
2 years	-0.10%	2.96%	1.15%	1.98%
3 years	0.07%	3.02%	1.28%	2.18%
5 years	0.39%	3.04%	1.44%	2.52%
7 years	0.66%	3.05%	1.55%	2.75%
10 years	0.99%	3.08%	1.66%	3.00%
15 years	1.32%	3.12%	1.75%	3.29%
20 years	1.48%	3.12%	1.77%	3.42%
30 years	1.53%	3.09%	1.75%	3.42%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 September 2018:

(Thousands of euros)

	30 September 2018				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	2,192,517	2,192,517	2,192,517
Loans and advances to credit institutions repayable on demand	-	-	330,321	330,321	330,321
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	868,186	868,186	866,999
Loans and advances to customers (i)	-	-	45,355,357	45,355,357	44,021,578
Debt instruments	-	-	3,347,745	3,347,745	3,356,346
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,024,778	-	-	1,024,778	1,024,778
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,460	-	-	1,405,460	1,405,460
Financial assets designated at fair value through profit or loss	32,921	-	-	32,921	32,921
Financial assets at fair value through other comprehensive income	-	12,063,815	-	12,063,815	12,063,815
Assets with repurchase agreement	-	-	15,531	15,531	15,531
Hedging derivatives (ii)	76,598	-	-	76,598	76,598
	2,539,757	12,063,815	52,109,657	66,713,229	65,386,864
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,563,524	7,563,524	7,516,814
Resources from customers (i)	-	-	50,760,519	50,760,519	50,798,168
Non subordinated debt securities issued (i)	-	-	1,707,696	1,707,696	1,692,901
Subordinated debt (i)	-	-	1,097,692	1,097,692	1,206,322
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	310,597	-	-	310,597	310,597
Financial liabilities designated at fair value through profit or loss	3,831,932	-	-	3,831,932	3,831,932
Hedging derivatives (ii)	170,474	-	-	170,474	170,474
	4,313,003	-	61,129,431	65,442,434	65,527,208

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2017:

(Thousands of euros)

	31 December 2017				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	2,167,934	2,167,934	2,167,934
Loans and advances to credit institutions repayable on demand	-	-	295,532	295,532	295,532
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	1,065,568	1,065,568	1,064,736
Loans and advances to customers (i)	-	-	45,625,972	45,625,972	43,270,523
Debt instruments	-	-	2,007,520	2,007,520	2,017,084
Financial assets at fair value through profit or loss					
Financial assets held for trading	897,734	-	-	897,734	897,734
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336	142,336
Financial assets available for sale	-	11,471,847	-	11,471,847	11,471,847
Financial assets held to maturity	-	-	411,799	411,799	406,335
Hedging derivatives (ii)	234,345	-	-	234,345	234,345
	1,274,415	11,471,847	51,574,325	64,320,587	61,968,406
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,487,357	7,487,357	7,441,083
Resources from customers (i)	-	-	48,285,425	48,285,425	48,275,865
Non subordinated debt securities issued (i)	-	-	2,066,538	2,066,538	2,052,339
Subordinated debt (i)	-	-	1,169,062	1,169,062	1,331,397
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	399,101	-	-	399,101	399,101
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645	3,843,645
Hedging derivatives (ii)	177,337	-	-	177,337	177,337
	4,420,083	-	59,008,382	63,428,465	63,520,767

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

LEVEL 1 - WITH QUOTATION IN ACTIVE MARKET

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

LEVEL 2 - VALUATION METHODS AND TECHNIQUES BASED ON MARKET DATA

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

LEVEL 3 - VALUATION METHODS AND TECHNIQUES BASED ON DATA NOT OBSERVABLE IN THE MARKET

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 30 September 2018:

(Thousands of euros)

	30 September2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,192,517	-	-	2,192,517
Loans and advances to credit institutions repayable on demand	330,321	-	-	330,321
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	866,999	866,999
Loans and advances to customers	-	-	44,021,578	44,021,578
Debt instruments	129,187	684,047	2,543,112	3,356,346
Financial assets at fair value through profit or loss				
Financial assets held for trading	324,707	367,794	332,277	1,024,778
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,405,460	1,405,460
Financial assets designated at fair value through profit or loss	32,921	-	-	32,921
Financial assets at fair value through other comprehensive income	11,374,211	662,493	27,111	12,063,815
Assets with repurchase agreement	-	-	15,531	15,531
Hedging derivatives	258	76,340	-	76,598
	14,384,122	1,790,674	49,212,068	65,386,864
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,516,814	7,516,814
Resources from customers	-	-	50,798,168	50,798,168
Non subordinated debt securities issued	-	-	1,692,901	1,692,901
Subordinated debt	-	-	1,206,322	1,206,322
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	255	290,091	20,251	310,597
Financial liabilities designated at fair value through profit or loss	779,558	-	3,052,374	3,831,932
Hedging derivatives	-	170,474	-	170,474
	779,813	460,565	64,286,830	65,527,208

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2017:

(Thousands of euros)

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand	295,532	-	-	295,532
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	1,064,736	1,064,736
Loans and advances to customers	-	-	43,270,523	43,270,523
Debt instruments	-	-	2,017,084	2,017,084
Financial assets at fair value through profit or loss				
Financial assets held for trading	149,910	442,373	305,451	897,734
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets available for sale	8,224,992	1,946,229	1,300,626	11,471,847
Financial assets held to maturity	192,710	133,009	80,616	406,335
Hedging derivatives	-	234,345	-	234,345
	11,173,414	2,755,956	48,039,036	61,968,406
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,441,083	7,441,083
Resources from customers	-	-	48,275,865	48,275,865
Non subordinated debt securities issued	763,919	-	1,288,420	2,052,339
Subordinated debt	-	-	1,331,397	1,331,397
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	1,019	387,157	10,925	399,101
Financial liabilities designated at fair value through profit or loss	763,919	-	3,079,726	3,843,645
Hedging derivatives	-	177,337	-	177,337
	1,528,857	564,494	61,427,416	63,520,767

49. POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM BENEFITS

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 S).

As at 30 September 2018 and 31 December 2017, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Number of participants		
Pensioners	16,784	16,711
Former Attendees Acquired Rights	3,313	3,375
Employees	7,282	7,368
	27,379	27,454

In accordance with the accounting policy described in note 1 S), the Group's pension obligation and other benefits and the respective coverage for the Group based on the projected unit credit method are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Projected benefit obligations		
Pensioners	2,017,330	1,993,181
Former attendees acquired rights	196,231	206,687
Employees	837,427	849,702
	3,050,988	3,049,570
Pension fund value	(3,159,707)	(3,166,351)
Net (assets) / liabilities in balance sheet (notes 32)	(108,719)	(116,781)
Accumulated actuarial losses and changing assumptions		
effect recognised in Other comprehensive income	3,202,025	3,191,607

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which as at 30 September 2018 amounts to Euro 289,319,000 (31 December 2017: Euro 297,146,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	30 September 201	31 December 2017		
	Pension benefit obligations	Pension benefit obligations	Extra-Fund	Total
Balance as at 1 January	3,049,570	2,768,439	324,210	3,092,649
Service cost	(11,566)	(16,391)	-	(16,391)
Interest cost / (income)	47,243	57,548	6,390	63,938
Actuarial (gains) and losses				
Not related to changes				
in actuarial assumptions	25,424	26,082	(2,336)	23,746
Payments	(72,437)	(79,847)	(16,759)	(96,606)
Early retirement programmes and				
terminations by mutual agreement	6,938	13,957	-	13,957
Contributions of employees	5,816	8,274	-	8,274
Changes occurred in the Collective				
Labour Agreement (CLA)	-	(39,997)	-	(39,997)
Transfer between plans	-	311,505	(311,505)	-
Balance at the end of the period	3,050,988	3,049,570	-	3,049,570

As at 30 September 2018, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 72,437,000. As at 31 December 2017, the amount of pensions paid by the Fund, excluding other benefits included in the Extra-Fund, amounted to Euros 79,847,000.

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 302,530,000 as at 30 September 2018 (31 December 2017: Euros 306,822,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 30 September 2018 amounts to Euros 63,357,000 (31 December 2017: Euros 65,266,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

CHANGES IN THE CLA

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and" Federação Nacional do Sector Financeiro". Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA, formalize the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017.

The profit arising from the changes amounts to Euros 44,853,000 (of which Euro 4,856,000 do not correspond to benefits post-employment). The new CLA has already been published by the Ministry of Labour in Bulletin of Labour and Employment

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So, in 2018 the retirement age is 66 years and 4 months (66 years and 3 months in 2017). It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months.

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits.

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement in force at 2016 and as such was considered as Extra-Fund. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

During the first nine months of 2018 and in the year 2017, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Balance as at 1 January	3,166,351	3,124,330
Employees' contributions	5,816	8,274
Actuarial gains / (losses)	15,007	52,740
Payments	(72,437)	(79,847)
Expected return on plan assets	44,970	59,402
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	-	1,452
Balance at the end of the period	3,159,707	3,166,351

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	30 September 2018			31 December 2017		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	296,400	102,992	399,392	278,231	95,757	373,988
Bonds and other fixed income securities	1,083,900	4,333	1,088,233	1,058,953	4,922	1,063,875
Participations units in investment funds	-	825,724	825,724	-	808,873	808,873
Participation units in real estate funds	-	274,548	274,548	-	264,025	264,025
Properties	-	245,392	245,392	-	254,317	254,317
Loans and advances to credit institutions and others	-	326,418	326,418	-	401,273	401,273
	1,380,300	1,779,407	3,159,707	1,337,184	1,829,167	3,166,351

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 30 September 2018 amounts to Euros 101,618,000 (31 December 2017: Euros 94,382,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 30 September 2018, amounts to Euros 245,392,000 (31 December 2017: Euros 253,971,000), mostly a set of properties called "Taguspark" whose book value as at 30 September 2018 amounts to Euros 243,750,000 (31 December 2017: Euros 243,750,000). This book value was calculated based on valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Fixed income securities	9,649	41
Loans and advances to credit institutions and others	237,134	326,562
	246,783	326,603

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Balance as at 1 January	(116,781)	(31,681)
Recognised in the income statement:		
Changes occurred in the Collective Labour Agreement (CLA)	-	(39,997)
Service cost	(11,566)	(16,391)
Interest cost / (income) net of the balance liabilities coverage	2,273	4,536
Cost with early retirement programs	6,938	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	-	(1,452)
	(2,355)	(39,347)
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	(15,007)	(52,740)
Difference between expected and effective obligations	25,424	23,746
	10,417	(28,994)
Payments related to Extra-Fund	-	(16,759)
Balance at the end of the period	(108,719)	(116,781)

In accordance with IAS 19, during the first nine months of 2018, the Group accounted post-employment benefits as a gain in the amount of Euros 2,355,000 (30 September 2017: gain of Euros 42,149,000), which is analysed as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Current service cost	(11,566)	(11,996)
Net interest cost in the liability coverage balance	2,273	3,402
Cost / (income) with early retirement programs and mutually agreed terminations	6,938	6,442
Changes occurred in the Collective Labour Agreement	-	(39,997)
(Income) / Cost of the period	(2,355)	(42,149)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / ACT regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life 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 considering 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".

BOARD OF DIRECTORS PLAN

As the Board of Directors Retirement Regulation establish that the pensions are increased annually, and as it is not common in the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 3,733,000 (31 December 2017: Euros 3,733,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 40), are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Balance as at 1 January	3,733	3,837
Reversal	-	(104)
Balance at the end of the period	3,733	3,733

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	30 September 2018	31 December 2017
Salary growth rate	0,25% until 2019 0,75% after 2019	0,25% until 2019 0,75% after 2019
Pensions growth rate	0% until 2019 0,5% after 2019	0% until 2019 0,5% after 2019
Discount rate / Projected Fund's rate of return	2.1%	2.1%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 4 months	66 years and 3 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2017 it is 66 years and 4 months (2017: 66 years and 3 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, 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. As at 30 September 2018 and 31 December 2017, the Bank used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

As at 30 September 2018, the Net actuarial gains amount to Euros 26,732,000 (31 December 2017: actuarial losses amount to Euros 28,994,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	30 September 2018		31 December 2017	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		25,424		23,746
Deviation between expected income and income from funds	2.75%	(15,007)	4.16%	(52,740)
		10,417		(28,994)

As at 30 September 2018, the actuarial losses not resulting from changes in assumptions amount to Euros 25,424,000 (31 December 2017: Euros 23,746,000).

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	30 September 2018		31 December 2017	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	127,636	(119,925)	132,021	(124,057)
Pension's increase rate	(127,220)	143,114	(129,840)	122,024
Salary growth rate	(33,580)	35,937	(35,094)	37,265

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	30 September 2018		31 December2017	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table	99,057	(99,273)	97,661	(98,209)

During the first nine months of 2018 and in the year 2017, a sensitivity analysis was performed to a positive variation and a negative variation of one percentage point in the value of the health benefits costs, the impact of which is analysed as follows:

(Thousands of euros)

	Positive variation of 1%		Negative variation of 1%	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Pension cost impacts	27	27	(27)	(27)
Liabilities impacts	3,025	3,068	(3,025)	(3,068)

DEFINED CONTRIBUTION PLAN

According to what is described in accounting policy 1 S2), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during the first nine months of 2018 and during 2017, for employees who have been admitted until 1 July 2009, because the following requirements have not been met: (i) 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.

For employees who have been admitted after 1 July 2009, are made monthly contributions 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. The Group accounted as staff costs the amount of Euros 55,000 (31 December 2017: Euros 62,000) related to this contribution.

50. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 58 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 41.

A) TRANSACTIONS WITH QUALIFIED SHAREHOLDERS

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Assets		
Financial assets at amortised cost		
Loans and advances to customers	104,040	62,822
Debt instruments	151,448	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	9,072	11,704
Financial assets at fair value through other comprehensive income	12,430	n.a.
Financial assets available for sale	n.a.	61,356
	276,990	286,496
Liabilities		
Resources from customers	128,335	282,970
	128,335	282,970

Loans and advances to customers are net of impairment in the amount of Euros 147,000 (31 December 2017: Euro 77,000).

During the first nine months of 2018 and 2017, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Income		
Interest and similar income	3,518	5,704
Commissions	3,676	3,418
	7,194	9,122
Costs		
Interest and similar expenses	115	700
Commissions	189	31
	304	731

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Guarantees granted	89,769	39,164
Revocable credit lines	203,353	242,565
Irrevocable credit lines	121	121
	293,243	281,850

B) TRANSACTIONS WITH MEMBERS OF THE BOARD OF DIRECTORS AND KEY MANAGEMENT MEMBERS

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Financial assets held for trading	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Board of Directors				
Non-executive directors	5	24	-	-
Executive Committee	111	124	-	-
Closely related people	306	13	-	-
Controlled entities	-	-	-	22
Key management members				
Key management members	7,545	6,611	-	-
Closely related people	543	480	-	-
Controlled entities	316	78	-	-
	8,826	7,330	-	22

The balances with related parties discriminated in the following table, included in liabilities items in the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Resources from credit institutions		Resources from customers	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Board of Directors				
Non-executive directors	-	-	5,785	556
Executive Committee	-	-	1,008	2,664
Closely related people	-	-	610	1,844
Controlled entities	-	14,838	4	459
Key management members				
Key management members	-	-	6,323	7,134
Closely related people	-	-	2,489	1,680
Controlled entities	-	-	1,944	1,728
	-	14,838	18,163	16,065

During the first nine months of 2018 and 2017, the transactions with related parties discriminated in the following table, included in income for items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Board of Directors				
Non-executive directors	-	-	11	59
Executive Committee	-	-	10	21
Closely related people	-	1	4	11
Controlled entities	-	1	-	102
Key management members				
Key management members	34	34	46	48
Closely related people	7	6	24	24
Controlled entities	2	3	9	8
	43	45	104	273

During the first nine months of 2018 and 2017, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Board of Directors				
Non-executive directors	41	3	-	1
Executive Committee	-	2	-	-
Closely related people	-	3	-	-
Controlled entities	-	22	-	1
Key management members				
Key management members	24	29	2	2
Closely related people	2	4	1	1
Controlled entities	1	1	2	2
	68	64	5	7

The Guarantees granted, revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Board of Directors						
Non-executive directors	-	98	25	83	-	-
Executive Committee	-	-	70	105	-	-
Closely related people	-	-	29	104	-	-
Controlled entities	-	-	-	25	-	-
Key management members						
Key management members	-	-	481	393	100	8
Closely related people	-	-	161	153	-	-
Controlled entities	-	-	17	16	-	-
	-	98	783	879	100	8

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Remunerations	2,857	3,779	756	786	4,522	6,651
Supplementary retirement pension	5,485	776	-	-	-	-
Post-employment benefits	(5)	19	-	-	(115)	(18)
Other mandatory social security charges	667	887	183	189	1,116	1,648
	9,004	5,461	939	975	5,523	8,281

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or governing bodies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2018, the amount of remunerations paid to the Executive Committee, includes Euros 70,000 (30 December 2017: Euros 104,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests. During 2018 and 2017, no variable remuneration was attributed to the members of the Executive Committee.

During the first nine months of 2018 and 2017, no severance payments were made to key management members.

As approved at the General Shareholders' Meeting of May 2018, the balance Supplementary retirement supplement includes the amount of Euros 4,920,000 related to the payment of a single and extraordinary contribution of BCP to the pension funds of the Executive Directors in functions between 2015/ 2017.

C) BALANCES AND TRANSACTIONS WITH ASSOCIATED COMPANIES

The balances with associated companies included in the consolidated balance sheet items are as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Assets		
Loans and advances to credit institutions repayable on demand	5	1,803
Loans and advances to credit institutions	309,578	316,630
Loans and advances to customers	68,990	63,907
Debt instruments	1,601	1,851
Financial assets held for trading	95,607	91,099
Other assets	13,316	12,868
	489,097	488,158
Liabilities		
Resources from credit institutions	139,417	207,073
Resources from customers	521,370	539,788
Non subordinated debt securities issued	164,409	334,720
Subordinated debt	478,935	480,426
Financial liabilities held for trading	31,090	40,323
Financial liabilities designated at fair value through profit or loss	31,948	138,471
Other liabilities	2	15
	1,367,171	1,740,816

As at 30 September 2018, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares (31 December 2017: 142,601,002 shares) in the amount of Euros 36,363,000 (31 December 2017: Euros 38,531,000).

During the first nine months of 2018 and 2017, the transactions with associated companies included in the consolidated income statement items, are as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Income		
Interest and similar income	10,722	6,238
Commissions	43,511	28,272
Other operating income	947	620
	55,180	35,130
Costs		
Interest and similar expenses	7,632	27,171
Commissions	35	44
Other administrative costs	420	31
	8,087	27,246

The guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Guarantees granted	20,019	8,288
Revocable credit lines	6,562	863
Irrevocable credit lines	672	-
	27,253	9,151

Under the scope of the Group's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Life insurance		
Saving products	25,295	24,481
Mortgage and consumer loans	12,838	14,403
Others	18	25
	38,151	38,909
Non - Life insurance		
Accidents and health	12,742	11,967
Motor	2,767	2,558
Multi-Risk Housing	4,751	4,560
Others	853	829
	21,113	19,914
	59,264	58,823

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Funds receivable for payment of life insurance commissions	12,925	12,713
Funds receivable for payment of non-life insurance commissions	6,976	6,658
	19,901	19,371

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:
- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) TRANSACTIONS WITH THE PENSION FUND

The balances with the Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Resources from customers	237,134	326,562
Subordinated debt	9,649	41
	246,783	326,603

During the first nine months of 2018 and in the year 2017, there were no transactions of financial assets between the Group and the Pension Fund.

During the first nine months of 2018 and 2017, the balances with the Pension Fund included in income and expense items of the consolidated income statement, are as follows:

(Thousands of euros)

	30 September 2018	30 September 2017
Income		
Commissions	514	621
Expenses		
Interest expense and similar charges	2	1,762
Other administrative costs	11,457	14,915
	11,459	16,677

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Group.

As at 30 September 2018, the amount of Guarantees granted by the Group to the Pension Fund amounted to Euros 5,000 (31 December 2017: Euros 5,000).

51. 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 management purposes by the Executive Committee. 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 with 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 the following segments: 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 proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal 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 and Corporate 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;
- 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;
- Trade Finance Department (from 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 the purposes of geographical segments, comprises the Private Banking network in Portugal, including the asset management activity. For the 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 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 the goal of gradually divesting from a set of portfolios, which was identified as an autonomous segment called "Non-Core Business Portfolio (PNNC)" for the purposes of preparation of the consolidated balance sheet and income statement by operating segments until 31 December 2017. Once this commitment was formally concluded at the end of 2017, the operations included in PNNC, as well as the respective results, were distributed to the original business segments, determining the reassessment of the allocation criteria. The information with reference to 30 September 2017 has been restated to ensure its comparability with the current position.

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

Foreign Business includes the following segments:
- 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 Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment 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, in this context, are considered in Private Banking segment.

BUSINESS SEGMENTS ACTIVITY

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.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 September 2018, 31 December 2017 and 30 September 2017 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 methodology 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.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. As an example, for operational costs, the first set includes costs recorded for telephones, travel, travelling accommodation and representation expenses and to advisory services, and in the second set of costs are included correspondence, water and electricity and rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of pre-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), at the reference date and with the Organization of the Group's business areas in force on 30 September 2018. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity 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 30 September 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 in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	347,370	657,355	1,004,725	259,531	24,635	118,970	1,407,861
Interest expense and similar charges	(30,825)	(209,976)	(240,801)	(52,170)	(9,147)	(52,938)	(355,056)
Net interest income	316,545	447,379	763,924	207,361	15,488	66,032	1,052,805
Commissions and other income	304,300	192,867	497,167	125,551	43,331	2,768	668,817
Commissions and other costs	(28,896)	(106,897)	(135,793)	(20,456)	(5,518)	(113,981)	(275,748)
Net commissions and other income	275,404	85,970	361,374	105,095	37,813	(111,213)	393,069
Net gains arising from financial operations (2)	12,572	45,250	57,822	318	3,117	28,319	89,576
Share of profit of associates under the equity method	-	28,733	28,733	-	-	43,135	71,868
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	9,728	9,727	4	-	17,524	27,255
Net operating revenue	604,520	617,060	1,221,580	312,778	56,418	43,797	1,634,573
Operating expenses	352,687	266,793	619,480	91,120	31,639	11,986	754,225
Impairment for credit and financial assets (3)	(14,882)	(49,104)	(63,986)	(314,268)	1,837	44,392	(332,025)
Other impairments and provisions (4)	(1)	(15,739)	(15,740)	(2)	1	(83,585)	(99,326)
Net income / (loss) before income tax	236,950	285,424	522,374	(92,612)	26,617	(7,382)	448,997
Income tax	(73,727)	(64,639)	(138,366)	29,701	(7,388)	6,548	(109,505)
Income / (loss) after income tax from continuing operations	163,223	220,785	384,008	(62,911)	19,229	(834)	339,492
Income / (loss) arising from discontinued operations	-	-	-	-	-	1,750	1,750
Net income / (loss) for the period	163,223	220,785	384,008	(62,911)	19,229	916	341,242
Non-controlling interests	-	(90,107)	(90,107)	-	-	6,334	(83,773)
Net income / (loss) for the period attributable to Bank's Shareholders	163,223	130,678	293,901	(62,911)	19,229	7,250	257,469

As at 30 September 2018, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,292,288	1,095,478	9,387,766	271,863	2,443,568	(8,712,173)	3,391,024
Loans and advances to customers (5)	21,063,867	12,677,156	33,741,023	12,980,930	624,266	597,769	47,943,988
Financial assets (6)	20,312	4,997,620	5,017,932	-	1,650	10,358,635	15,378,217
Other assets	173,671	565,722	739,393	46,524	14,330	6,231,130	7,031,377
Total Assets	29,550,138	19,335,976	48,886,114	13,299,317	3,083,814	8,475,361	73,744,606
Resources from other credit institutions (7)	946,395	1,579,384	2,525,779	4,278,789	348,111	410,845	7,563,524
Resources from customers (8)	26,648,757	15,561,796	42,210,553	7,876,033	2,566,800	970,984	53,624,370
Debt securities issued (9)	941,398	170,871	1,112,269	737	49,203	1,513,568	2,675,777
Other financial liabilities (10)	-	119,483	119,483	-	1,407	1,457,873	1,578,763
Other liabilities	45,509	424,812	470,321	61,641	7,263	818,295	1,357,520
Total Liabilities	28,582,059	17,856,346	46,438,405	12,217,200	2,972,784	5,171,565	66,799,954
Equity and non-controlling interests	968,079	1,479,630	2,447,709	1,082,117	111,030	3,303,796	6,944,652
Total Liabilities, Equity and Non-controlling interests	29,550,138	19,335,976	48,886,114	13,299,317	3,083,814	8,475,361	73,744,606
Number of employees	4,667	8,572	13,239	732	227	1,588	15,786

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at fair value through other comprehensive income;
(4) Includes impairment for other assets and provisions.
(5) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss;
(6) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives;
(7) Includes resources and other financing from central banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss) and debt securities placed with customers;
(9) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

As at 30 September 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 in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total				
INCOME STATEMENT							
Interest and similar income	352,684	627,192	979,876	295,793	30,214	125,929	1,431,812
Interest expense and similar charges	(50,080)	(211,335)	(261,415)	(79,707)	(11,419)	(56,069)	(408,610)
Net interest income	302,604	415,857	718,461	216,086	18,795	69,860	1,023,202
Commissions and other income	277,912	190,145	468,057	126,228	38,388	7,363	640,036
Commissions and other costs	(25,309)	(96,422)	(121,731)	(19,470)	(4,991)	(95,997)	(242,189)
Net commissions and other income	252,603	93,723	346,326	106,758	33,397	(88,634)	397,847
Net gains arising from trading activity	13,901	64,920	78,821	1,733	(18,910)	53,355	114,999
Share of profit of associates under the equity method	-	24,392	24,392	-	-	32,399	56,791
Gains / (losses) arising from the sale of subsidiaries and other assets	-	2,782	2,782	-	-	(1,323)	1,459
Net operating revenue	569,108	601,674	1,170,782	324,577	33,282	65,657	1,594,298
Operating expenses	340,660	253,341	594,001	95,445	28,820	(23,669)	694,597
Impairment for credit and financial assets	(55,390)	(68,311)	(123,701)	(329,826)	(2,025)	(51,527)	(507,079)
Other impairments and provisions	(46)	(1,436)	(1,482)	143	-	(120,085)	(121,424)
Net income / (loss) before income tax	173,012	278,586	451,598	(100,551)	2,437	(82,286)	271,198
Income tax	(50,285)	(61,100)	(111,385)	30,567	(6,159)	23,866	(63,111)
Income / (loss) after income tax from continuing operations	122,727	217,486	340,213	(69,984)	(3,722)	(58,420)	208,087
Income / (loss) arising from discontinued operations	-	-	-	-	-	1,250	1,250
Net income / (loss) for the period	122,727	217,486	340,213	(69,984)	(3,722)	(57,170)	209,337
Non-controlling interests	-	(79,511)	(79,511)	-	-	3,483	(76,028)
Net income / (loss) for the period attributable to Bank's Shareholders	122,727	137,975	260,702	(69,984)	(3,722)	(53,687)	133,309

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

(Thousands of Euros)

	Retail in Portugal	Foreign business	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
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	596,867	709,636	33,161	9,654	6,866,412	7,618,863
Total Assets	28,038,437	18,889,144	46,927,581	13,867,030	3,011,488	8,133,351	71,939,450
Resources from other credit institutions	1,143,583	1,492,783	2,636,366	4,641,705	339,949	(130,663)	7,487,357
Resources from customers	25,037,376	15,130,262	40,167,638	8,174,722	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	57,731	5,972	758,607	1,331,249
Total Liabilities	27,091,704	17,457,655	44,549,359	12,877,038	2,901,107	4,432,210	64,759,714
Equity and non-controlling interests	946,733	1,431,489	2,378,222	989,992	110,381	3,701,141	7,179,736
Total Liabilities, Equity and Non-controlling interests	28,038,437	18,889,144	46,927,581	13,867,030	3,011,488	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 designated 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 30 September 2018, the net contribution of the major geographic segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	347,370	259,531	14,870	118,970	740,741	442,781	214,574	9,765	1,407,861
Interest expense and similar charges	(30,825)	(52,170)	(4,801)	(52,938)	(140,734)	(130,394)	(79,282)	(4,646)	(355,056)
Net interest income	316,545	207,361	10,069	66,032	600,007	312,387	135,292	5,119	1,052,805
Commissions and other income	304,300	125,551	21,202	2,768	453,821	151,065	41,802	22,129	668,817
Commissions and other costs	(28,896)	(20,456)	(1,148)	(113,981)	(164,481)	(93,034)	(13,864)	(4,369)	(275,748)
Net commissions and other income	275,404	105,095	20,054	(111,213)	289,340	58,031	27,938	17,760	393,069
Net gains arising from financial operations (2)	12,572	318	332	28,319	41,541	39,439	5,811	2,785	89,576
Share of profit of associates under the equity method	-	-	-	43,135	43,135	-	-	28,733	71,868
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	4	-	17,524	17,527	1,831	7,897	-	27,255
Net operating revenue	604,520	312,778	30,455	43,797	991,550	411,688	176,938	54,397	1,634,573
Operating expenses	352,687	91,120	13,133	11,986	468,926	200,673	66,120	18,506	754,225
Impairment for credit and financial assets (3)	(14,882)	(314,268)	1,234	44,392	(283,524)	(32,061)	(21,778)	5,338	(332,025)
Other impairments and provisions (4)	(1)	(2)	-	(83,585)	(83,588)	(4,910)	789	(11,617)	(99,326)
Net income / (loss) before income tax	236,950	(92,612)	18,556	(7,382)	155,512	174,044	89,829	29,612	448,997
Income tax	(73,727)	29,701	(5,845)	6,548	(43,323)	(45,891)	(17,328)	(2,963)	(109,505)
Income / (loss) after income tax from continuing operations	163,223	(62,911)	12,711	(834)	112,189	128,153	72,501	26,649	339,492
Income / (loss) arising from discontinued operations	-	-	-	1,750	1,750	-	-	-	1,750
Net income / (loss) for the period	163,223	(62,911)	12,711	916	113,939	128,153	72,501	26,649	341,242
Non-controlling interests	-	-	-	6,334	6,334	(63,949)	(24,548)	(1,610)	(83,773)
Net income / (loss) for the period attributable to Bank's Shareholders	163,223	(62,911)	12,711	7,250	120,273	64,204	47,953	25,039	257,469

As at 30 September 2018, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,292,288	271,863	1,725,734	(8,712,173)	1,577,712	646,094	449,383	717,835	3,391,024
Loans and advances to customers (5)	21,063,867	12,980,930	302,340	597,769	34,944,906	11,894,171	785,120	319,791	47,943,988
Financial assets (6)	20,312	-	-	10,358,635	10,378,947	4,340,048	657,573	1,649	15,378,217
Other assets	173,671	46,524	11,029	6,231,130	6,462,354	267,190	160,976	140,857	7,031,377
Total Assets	29,550,138	13,299,317	2,039,103	8,475,361	53,363,919	17,147,503	2,053,052	1,180,132	73,744,606
Resources from other institutions (7)	946,395	4,278,789	-	410,845	5,636,029	1,419,487	124,495	383,513	7,563,524
Resources from customers (8)	26,648,757	7,876,033	1,930,984	970,984	37,426,758	14,068,232	1,493,563	635,817	53,624,370
Debt securities issued (9)	941,398	737	49,203	1,513,568	2,504,906	170,871	-	-	2,675,777
Other financial liabilities (10)	-	-	-	1,457,873	1,457,873	119,483	-	1,407	1,578,763
Other liabilities	45,509	61,641	1,237	818,295	926,682	344,697	80,115	6,026	1,357,520
Total Liabilities	28,582,059	12,217,200	1,981,424	5,171,565	47,952,248	16,122,770	1,698,173	1,026,763	66,799,954
Equity and non-controlling interests	968,079	1,082,117	57,679	3,303,796	5,411,671	1,024,733	354,879	153,369	6,944,652
Total Liabilities, Equity and non-controlling interests	29,550,138	13,299,317	2,039,103	8,475,361	53,363,919	17,147,503	2,053,052	1,180,132	73,744,606
Number of employees	4,667	732	143	1,588	7,130	5,950	2,622	84	15,786

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at fair value through other comprehensive income;
(4) Includes impairment for non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.
(5) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss;
(6) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives;
(7) Includes resources and other financing from central banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss) and debt securities placed with customers;
(9) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

As at 30 September 2017, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	352,684	295,793	19,016	125,929	793,422	418,598	215,105	4,687	1,431,812
Interest expense and similar charges	(50,080)	(79,707)	(5,794)	(56,069)	(191,650)	(130,556)	(86,700)	296	(408,610)
Net interest income	302,604	216,086	13,222	69,860	601,772	288,042	128,405	4,983	1,023,202
Commissions and other costs	277,912	126,228	16,682	7,363	428,185	148,274	41,871	21,706	640,036
Commissions and other costs	(25,309)	(19,470)	(1,011)	(95,997)	(141,787)	(82,155)	(14,267)	(3,980)	(242,189)
Net commissions and other income	252,603	106,758	15,671	(88,634)	286,398	66,119	27,604	17,726	397,847
Net gains arising from trading activity	13,901	1,733	322	53,355	69,311	36,968	8,297	423	114,999
Share of profit of associates under the equity method	-	-	-	32,399	32,399	-	-	24,392	56,791
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	(1,323)	(1,323)	2,691	91	-	1,459
Net operating revenue	569,108	324,577	29,215	65,657	988,557	393,820	164,397	47,524	1,594,298
Operating expenses	340,660	95,445	11,384	(23,669)	423,820	189,655	63,686	17,436	694,597
Impairment for credit and financial assets	(55,390)	(329,826)	(1,706)	(51,527)	(438,449)	(45,251)	(23,059)	(320)	(507,079)
Other impairments and provisions	(46)	143	-	(120,085)	(119,988)	(4,167)	2,731	-	(121,424)
Net income / (loss) before income tax	173,012	(100,551)	16,125	(82,286)	6,300	154,747	80,383	29,768	271,198
Income tax	(50,285)	30,567	(4,757)	23,866	(609)	(41,863)	(19,411)	(1,228)	(63,111)
Income / (loss) after income tax from continuing operations	122,727	(69,984)	11,368	(58,420)	5,691	112,884	60,972	28,540	208,087
Income / (loss) arising from discontinued operations	-	-	-	1,250	1,250	-	-	-	1,250
Net income / (loss) for the period	122,727	(69,984)	11,368	(57,170)	6,941	112,884	60,972	28,540	209,337
Non-controlling interests	-	-	-	3,483	3,483	(56,329)	(20,703)	(2,479)	(76,028)
Net income / (loss) for the period attributable to Bank's Shareholders	122,727	(69,984)	11,368	(53,687)	10,424	56,555	40,269	26,061	133,309

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	161,589	215,710	7,618,863
Total Assets	28,038,437	13,867,030	1,837,754	8,133,351	51,876,572	17,035,610	1,950,487	1,076,781	71,939,450
Resources from other credit institutions	1,143,583	4,641,705	-	(130,663)	5,654,625	1,646,767	91,879	94,086	7,487,357
Resources from customers	25,037,376	8,174,722	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	57,731	1,015	758,607	854,723	363,306	108,263	4,957	1,331,249
Total Liabilities	27,091,704	12,877,038	1,787,030	4,432,210	46,187,982	16,089,099	1,614,419	868,214	64,759,714
Equity and non-controlling interests	946,733	989,992	50,724	3,701,141	5,688,590	946,511	336,068	208,567	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	1,950,487	1,076,781	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 designated 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 INCOME OF THE GROUP

(Thousands of euros)

	30 September 2018	30 September 2017
Net contribution:		
Retail banking in Portugal	163,223	122,727
Companies, Corporate and Investment banking	(62,911)	(69,984)
Private Banking	12,711	11,368
Foreign business (continuing operations)	227,303	202,396
Non-controlling interests (1)	(90,107)	(79,511)
	250,219	186,996
Amounts not allocated to segments:		
Interests of hybrid instruments	-	(6,343)
Net interest income of the bond portfolio	18,524	29,212
Interests on loans to customers written off (Net interest income)	-	12,909
Own credit risk	-	46
Foreign exchange activity	16,135	22,257
Gains / (losses) arising from sales of subsidiaries and other assets	17,524	(1,323)
Equity accounted earnings	43,135	32,399
Impairment and other provisions (2)	(39,191)	(171,611)
Operational costs (3)	(11,986)	23,669
Gains on sale of Portuguese public debt	16,022	6,982
Mandatory contributions	(66,470)	(57,860)
Loans sale	(21,581)	(4,622)
Taxes (4)	6,548	23,866
Income from discontinued operations	1,750	1,250
Non-controlling interests	6,334	3,483
Others (5)	20,506	31,999
Total not allocated to segments	7,250	(53,687)
Consolidated net income	257,469	133,309

(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 restructuring costs and the revision of the Collective Labour Agreement (the latter, only in 2017).

(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.

52. RISK MANAGEMENT

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

MAIN TYPES OK RISK

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

INTERNAL ORGANISATION

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

RISK ASSESSMENT

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	30 September 2018	31 December 2017
Central Governments or Central Banks	13,249,134	11,404,056
Regional Governments or Local Authorities	816,298	744,693
Administrative and non-profit Organisations	188,570	349,156
Multilateral Development Banks	18,791	19,432
Other Credit Institutions	2,568,278	2,915,047
Retail and Corporate customers	60,325,693	60,199,404
Other items (*)	10,435,172	11,449,727
	87,601,936	87,081,515

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses incurred, considers the following methodological notes.

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the recognised External Credit Assessment Institutions (ECAI) and the external ratings equivalence to the Rating Master Scale of the Group:

	External ratings			
Internal risk grade	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B

c) Impairment and Write-offs

The credit impairment calculation as at 30 September 2018 and 31 December 2017 integrates the general principles defined in International Financial Reporting Standards (IFRS 9 as at 1 January 2018 and IAS 39 as at 31 December 2017) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC / 2018/00000006", in order to align the calculation process used in the Group with the best international practices in this area.

As at 30 September 2018, the financial instruments subject to impairment requirements under IFRS 9, analysed by stage, are detailed in the following tables:

(Thousands of euros)

	30 September 2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	862,637	5,829	666	-	869,132
Loans and advances to customers (note 21)	35,660,515	6,718,832	6,125,309	5	48,504,661
Debt instruments (note 22)	3,215,145	87,540	87,195	-	3,389,880
Debt instruments at fair value					
through other comprehensive income (note 23)	12,010,744	-	4,942	-	12,015,686
Financial guarantees (note 46)	10,541,042	1,325,105	633,769	-	12,499,916
Total	62,290,083	8,137,306	6,851,881	5	77,279,275

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 46.

(Thousands of euros)

	30 September 2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	505	441	-	-	946
Loans and advances to customers (note 21)	101,267	180,996	2,867,041	-	3,149,304
Debt instruments (note 22)	5,083	169	36,883	-	42,135
Debt instruments at fair value					
through other comprehensive income (note 23)	-	-	4,942	-	4,942
Financial guarantees (note 39)	10,698	9,717	138,716	-	159,131
Total	117,553	191,323	3,047,582	-	3,356,458

(Thousands of euros)

	30 September 2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	862,132	5,388	666	-	868,186
Loans and advances to customers (note 21)	35,559,248	6,537,836	3,258,268	5	45,355,357
Debt instruments (note 22)	3,210,062	87,371	50,312	-	3,347,745
Debt instruments at fair value					
through other comprehensive income (note 23)	12,010,744	-	-	-	12,010,744
Financial guarantees (notes 39 and 46)	10,530,344	1,315,388	495,053	-	12,340,785
Total	62,172,530	7,945,983	3,804,299	5	73,922,817

As at 1 January 2018, the financial instruments subject to impairment requirements under IFRS 9, analysed by stage, are detailed in the following tables:

(Thousands of euros)

	1 January 2018			
	Gross Exposure			
Category	Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised cost				
Loans and advances to credit institutions (note 57)	1,062,830	2,738	-	1,065,568
Loans and advances to customers (note 57)	34,511,663	7,177,992	6,960,474	48,650,129
Debt instruments (note 57)	2,521,555	382,539	84,023	2,988,117
Debt instruments at fair value through other comprehensive income	8,291,706	1,508,187	5,150	9,805,043
Financial guarantees	10,444,690	1,467,651	723,577	12,635,918
Total	56,832,444	10,539,107	7,773,224	75,144,775

(Thousands of euros)

	1 January 2018			
	Impairment losses			
Category	Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised cost				
Loans and advances to credit institutions (note 57)	441	262	-	703
Loans and advances to customers (note 57)	112,344	244,708	3,165,613	3,522,665
Debt instruments (note 57)	7,580	2,545	37,924	48,049
Debt instruments at fair value through other comprehensive income	-	-	5,150	5,150
Financial guarantees (note 39)	9,814	10,375	125,400	145,589
Total	130,179	257,890	3,334,087	3,722,156

(Thousands of euros)

	1 January 2018			
	Net exposure			
Category	Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised cost				
Loans and advances to credit institutions (note 57)	1,062,389	2,476	-	1,064,865
Loans and advances to customers (note 57)	34,399,319	6,933,284	3,794,861	45,127,464
Debt instruments (note 57)	2,513,975	379,994	46,099	2,940,068
Debt instruments at fair value through other comprehensive income	8,291,706	1,508,187	-	9,799,893
Financial guarantees	10,434,876	1,457,276	598,177	12,490,329
Total	56,702,265	10,281,217	4,439,137	71,422,619

AS at 30 September 2018, the maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	Maximum exposure to credit risk
Financial assets held for trading	
Debt instruments	353,187
Derivatives	871,850
Hedging derivatives (note 25)	15,790
Financial assets designated at fair value through profit or loss	
Debt instruments (note 23)	50,106
Financial assets designated at fair value through other comprehensive income	
Debt instruments (note 23)	11,975,658
Total	13,266,591

Notes:

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value plus accrued interest;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

As at 30 September 2018, the modified financial assets that did not result in derecognition are analysed as follows:

(Thousands of euros)

Financial assets modified during the period (with impairment losses based on expected lifetime losses)	30 September 2018
Amortised cost before changes	442,339
Impairment losses before changes	(196,531)
Net amortised cost before changes	245,808
Net gain / loss	(31,808)
Net amortised cost after changes	214,000

(Thousands of euros)

Financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime	30 September 2018
Amortised cost of financial assets for which credit losses	
expected to go from "lifetime" to 12 months	22,800

As at 30 September 2018, financial assets at amortised cost, guarantees and other commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	30 September 2018									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	19,528,916	2,468,614	237,131	48,761	2,754,506	395,110	648,796	1,043,906	-	23,327,328
Individuals-Other	5,493,660	684,183	127,005	29,792	840,980	253,593	424,923	678,516	5	7,013,161
Financial Companies	1,213,817	239,321	35	2	239,358	388,759	294,237	682,996	-	2,136,171
Non-financial comp. - Corporate	8,073,459	1,070,642	44,525	1,908	1,117,075	527,462	989,692	1,517,154	-	10,707,688
Non-financial comp.- SME-Corporate	8,733,091	1,540,360	35,953	2,392	1,578,705	1,119,630	701,593	1,821,223	-	12,133,019
Non-financial comp. -SME-Retail	3,433,977	1,040,225	37,641	5,615	1,083,481	554,769	487,195	1,041,964	-	5,559,422
Non-financial comp.-Other	401,611	161,429	8,521	-	169,950	9,146	50,140	59,286	-	630,847
Other loans	3,400,808	353,081	170	-	353,251	18	1,876	1,894	-	3,755,953
Total	50,279,339	7,557,855	490,981	88,470	8,137,306	3,248,487	3,598,452	6,846,939	5	65,263,589
Impairment										
Individuals-Mortgage	6,298	13,082	6,241	2,251	21,574	34,141	127,792	161,933	-	189,805
Individuals-Other	27,841	16,196	9,548	5,807	31,551	113,665	255,215	368,880	-	428,272
Financial Companies	2,995	9,306	1	-	9,307	270,452	206,769	477,221	-	489,523
Non-financial comp. - Corporate	32,842	36,233	2,432	1,768	40,433	223,661	564,902	788,563	-	861,838
Non-financial comp.- SME-Corporate	35,512	41,486	3,017	359	44,862	392,385	364,366	756,751	-	837,125
Non-financial comp. -SME-Retail	10,335	30,344	2,786	597	33,727	216,396	259,875	476,271	-	520,333
Non-financial comp.-Other	187	2,259	170	-	2,429	2,348	10,057	12,405	-	15,021
Other loans	1,543	7,434	6	-	7,440	9	607	616	-	9,599
Total	117,553	156,340	24,201	10,782	191,323	1,253,057	1,789,583	3,042,640	-	3,351,516
Net exposure										
Individuals-Mortgage	19,522,618	2,455,532	230,890	46,510	2,732,932	360,969	521,004	881,973	-	23,137,523
Individuals-Other	5,465,819	667,987	117,457	23,985	809,429	139,928	169,708	309,636	5	6,584,889
Financial Companies	1,210,822	230,015	34	2	230,051	118,307	87,468	205,775	-	1,646,648
Non-financial comp. - Corporate	8,040,617	1,034,409	42,093	140	1,076,642	303,801	424,790	728,591	-	9,845,850
Non-financial comp.- SME-Corporate	8,697,579	1,498,874	32,936	2,033	1,533,843	727,245	337,227	1,064,472	-	11,295,894
Non-financial comp. -SME-Retail	3,423,642	1,009,881	34,855	5,018	1,049,754	338,373	227,320	565,693	-	5,039,089
Non-financial comp.-Other	401,424	159,170	8,351	-	167,521	6,798	40,083	46,881	-	615,826
Other loans	3,399,265	345,647	164	-	345,811	9	1,269	1,278	-	3,746,354
Total	50,161,786	7,401,515	466,780	77,688	7,945,983	1,995,430	1,808,869	3,804,299	5	61,912,073
% of impairment coverage										
Individuals-Mortgage	0.03%	0.53%	2.63%	4.62%	0.78%	8.64%	19.70%	15.51%	0.00%	0.81%
Individuals-Other	0.51%	2.37%	7.52%	19.49%	3.75%	44.82%	60.06%	54.37%	0.00%	6.11%
Financial Companies	0.25%	3.89%	2.95%	0.30%	3.89%	69.57%	70.27%	69.87%	0.00%	22.92%
Non-financial comp. - Corporate	0.41%	3.38%	5.46%	92.63%	3.62%	42.40%	57.08%	51.98%	0.00%	8.05%
Non-financial comp.- SME-Corporate	0.41%	2.69%	8.39%	15.00%	2.84%	35.05%	51.93%	41.55%	0.00%	6.90%
Non-financial comp. -SME-Retail	0.30%	2.92%	7.40%	10.64%	3.11%	39.01%	53.34%	45.71%	0.00%	9.36%
Non-financial comp.-Other	0.05%	1.40%	1.99%	0.17%	1.43%	25.67%	20.06%	20.92%	0.00%	2.38%
Other loans	0.05%	2.11%	3.39%	37.39%	2.11%	50.00%	32.24%	32.41%	0.00%	0.26%
Total	0.23%	2.07%	4.93%	12.19%	2.35%	38.57%	49.73%	44.44%	0.00%	5.14%

As at 30 September 2018, financial assets at amortised cost, guarantees and other commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	30 September 2018									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	25,022,576	3,152,797	364,136	78,553	3,595,486	648,703	1,073,719	1,722,422	5	30,340,489
Non-financial comp.- Trade	4,309,635	573,639	25,937	2,552	602,128	184,345	195,863	380,208	-	5,291,971
Non-financial comp.- Construction	1,701,641	610,306	20,334	2,913	633,553	758,463	566,926	1,325,389	-	3,660,583
Non finan. comp.- Manufacturing indust.	4,580,585	551,942	30,432	1,305	583,679	180,471	210,496	390,967	-	5,555,231
Non-financial comp.-Other activities	1,421,563	218,035	2,814	338	221,187	217,654	21,183	238,837	-	1,881,587
Non-financial comp.- Other services	8,628,714	1,858,734	47,123	2,807	1,908,664	870,074	1,234,152	2,104,226	-	12,641,604
Other Services /Other activities	4,614,625	592,402	205	2	592,609	388,777	296,113	684,890	-	5,892,124
Total	50,279,339	7,557,855	490,981	88,470	8,137,306	3,248,487	3,598,452	6,846,939	5	65,263,589
Impairment										
Loans to individuals	34,139	29,278	15,789	8,058	53,125	147,806	383,007	530,813	-	618,077
Non-financial comp.- Trade	17,259	11,342	1,329	271	12,942	58,031	117,406	175,437	-	205,638
Non-financial comp.- Construction	6,618	13,343	3,326	1,834	18,503	271,110	296,015	567,125	-	592,246
Non-financial comp.- Manufacturing indus	20,008	16,794	1,668	246	18,708	68,177	100,275	168,452	-	207,168
Non-financial comp.-Other activities	2,517	9,849	209	28	10,086	98,454	10,451	108,905	-	121,508
Non-financial comp.- Other services	32,474	58,994	1,873	345	61,212	339,018	675,053	1,014,071	-	1,107,757
Other Services /Other activities	4,538	16,740	7	-	16,747	270,461	207,376	477,837	-	499,122
Total	117,553	156,340	24,201	10,782	191,323	1,253,057	1,789,583	3,042,640	-	3,351,516
Net exposure										
Loans to individuals	24,988,437	3,123,519	348,347	70,495	3,542,361	500,897	690,712	1,191,609	5	29,722,412
Non-financial comp.- Trade	4,292,376	562,297	24,608	2,281	589,186	126,314	78,457	204,771	-	5,086,333
Non-financial comp.- Construction	1,695,023	596,963	17,008	1,079	615,050	487,353	270,911	758,264	-	3,068,337
Non finan. comp.- Manufacturing indust.	4,560,577	535,148	28,764	1,059	564,971	112,294	110,221	222,515	-	5,348,063
Non-financial comp.-Other activities	1,419,046	208,186	2,605	310	211,101	119,200	10,732	129,932	-	1,760,079
Non-financial comp.- Other services	8,596,240	1,799,740	45,250	2,462	1,847,452	531,056	559,099	1,090,155	-	11,533,847
Other Services /Other activities	4,610,087	575,662	198	2	575,862	118,316	88,737	207,053	-	5,393,002
Total	50,161,786	7,401,515	466,780	77,688	7,945,983	1,995,430	1,808,869	3,804,299	5	61,912,073
% of impairment coverage										
Loans to individuals	0.15%	0.84%	3.48%	11.17%	1.28%	21.88%	37.33%	31.42%	0.00%	2.24%
Non-financial comp.- Trade	0.42%	1.92%	3.96%	11.10%	2.31%	25.48%	53.81%	37.74%	0.00%	3.54%
Non-financial comp.- Construction	0.46%	2.21%	12.08%	32.43%	2.46%	33.37%	54.17%	42.20%	0.00%	17.06%
Non finan. comp.- Manufacturing indust.	0.46%	2.90%	4.35%	12.59%	3.17%	37.91%	51.49%	44.86%	0.00%	3.81%
Non-financial comp.-Other activities	0.21%	4.54%	3.26%	3.08%	4.50%	44.69%	47.64%	44.96%	0.00%	7.10%
Non-financial comp.- Other services	0.41%	2.61%	4.61%	27.62%	2.99%	35.52%	53.44%	46.42%	0.00%	8.91%
Other Services /Other activities	0.10%	2.23%	0.42%	13.81%	2.23%	67.40%	72.88%	69.68%	0.00%	8.61%
Total	0.25%	1.83%	4.13%	14.88%	2.16%	36.05%	50.04%	43.41%	0.00%	5.36%

As at 30 September 2018, financial assets at amortised cost, guarantees and other commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	30 September 2018									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	35,457,852	6,413,785	291,157	43,515	6,748,457	2,971,945	3,135,479	6,107,424	5	48,313,738
Poland	13,149,828	671,654	116,399	35,460	823,513	261,357	321,910	583,267	-	14,556,608
Mozambique	1,205,726	472,416	83,425	9,495	565,336	11,604	141,063	152,667	-	1,923,729
Switzerland	465,933	-	-	-	-	3,581	-	3,581	-	469,514
Total	50,279,339	7,557,855	490,981	88,470	8,137,306	3,248,487	3,598,452	6,846,939	5	65,263,589
Impairment										
Portugal	40,086	111,045	8,183	1,130	120,358	1,133,311	1,537,632	2,670,943	-	2,831,387
Poland	67,930	28,900	10,973	6,180	46,053	111,206	204,689	315,895	-	429,878
Mozambique	9,220	16,395	5,045	3,472	24,912	6,215	47,262	53,477	-	87,609
Switzerland	317	-	-	-	-	2,325	-	2,325	-	2,642
Total	117,553	156,340	24,201	10,782	191,323	1,253,057	1,789,583	3,042,640	-	3,351,516
Net exposure										
Portugal	35,417,766	6,302,740	282,974	42,385	6,628,099	1,838,634	1,597,847	3,436,481	5	45,482,351
Poland	13,081,898	642,754	105,426	29,280	777,460	150,151	117,221	267,372	-	14,126,730
Mozambique	1,196,506	456,021	78,380	6,023	540,424	5,389	93,801	99,190	-	1,836,120
Switzerland	465,616	-	-	-	-	1,256	-	1,256	-	466,872
Total	50,161,786	7,401,515	466,780	77,688	7,945,983	1,995,430	1,808,869	3,804,299	5	61,912,073
% of impairment coverage										
Portugal	0.11%	1.73%	2.81%	2.60%	1.78%	38.13%	49.04%	43.73%	0.00%	5.86%
Poland	0.52%	4.30%	9.43%	17.43%	5.59%	42.55%	63.59%	54.16%	0.00%	2.95%
Mozambique	0.76%	3.47%	6.05%	36.57%	4.41%	53.56%	33.50%	35.03%	0.00%	4.55%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	64.93%	0.00%	64.93%	0.00%	0.56%
Total	0.23%	2.07%	4.93%	12.19%	2.35%	38.57%	49.73%	44.44%	0.00%	5.14%

As at 30 September 2018, the exposure by type of financial instrument, internal rating (attributed in Portugal and Poland) and by stage, is analysed as follows:

(Thousands of euros)

	30 September 2018							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
- stage 1	25,258,904	8,937,273	3,021,541	2,364	1,109,523	38,329,605	98,574	38,231,031
- stage 2	915,049	1,202,288	3,083,669	450,562	658,733	6,310,301	156,975	6,153,326
- stage 3	109	528	37,253	5,978,695	42,227	6,058,812	2,848,499	3,210,313
- POCI	-	-	-	-	5	5	-	5
	26,174,062	10,140,089	6,142,463	6,431,621	1,810,488	50,698,723	3,104,048	47,594,675
Debt instruments at fair value through other comprehensive income								
- stage 1	11,921,284	82,801	-	-	6,659	12,010,744	-	12,010,744
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	4,942	4,942	4,942	-
	11,921,284	82,801	-	-	11,601	12,015,686	4,942	12,010,744
Guarantees and other commitments								
- stage 1	5,938,187	2,411,466	800,149	530	1,127,742	10,278,074	9,442	10,268,632
- stage 2	90,768	235,226	562,116	35,387	338,170	1,261,667	9,436	1,252,231
- stage 3	1	11	9,004	620,663	2,200	631,879	138,337	493,542
	6,028,956	2,646,703	1,371,269	656,580	1,468,112	12,171,620	157,215	12,014,405
Total	44,124,302	12,869,593	7,513,732	7,088,201	3,290,201	74,886,029	3,266,205	71,619,824

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	1 January 2018								
		Stage 2				Stage 3			
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	Total
Gross Exposure									
Individuals-Mortgage	18,940,165	2,544,822	225,522	67,963	2,838,307	417,142	932,928	1,350,070	23,128,542
Individuals-Other	5,242,695	709,880	118,694	51,042	879,616	271,078	515,368	786,446	6,908,757
Financial Companies	1,819,540	286,848	349	51	287,248	601,270	287,533	888,803	2,995,591
Non-financial comp. - Corporate	6,808,612	1,279,814	6,929	9,310	1,296,053	455,905	809,351	1,265,256	9,369,921
Non-financial comp.- SME-Corporate	8,825,340	2,116,165	17,775	103,904	2,237,844	1,349,797	1,099,257	2,449,054	13,512,238
Non-financial comp. -SME-Retail	3,197,172	1,004,850	26,485	28,895	1,060,230	505,550	522,673	1,028,223	5,285,625
Non-financial comp.-Other	209,327	162,273	400	56,878	219,551	100	58	158	429,036
Other loans	3,497,887	210,559	-	1,512	212,071	-	64	64	3,710,022
Total	48,540,738	8,315,211	396,154	319,555	9,030,920	3,600,842	4,167,232	7,768,074	65,339,732
Impairment									
Individuals-Mortgage	6,346	13,694	8,390	4,477	26,561	33,187	173,371	206,558	239,465
Individuals-Other	30,392	19,538	10,471	10,022	40,031	116,274	296,198	412,472	482,895
Financial Companies	4,303	7,880	17	1	7,898	388,428	207,317	595,745	607,946
Non-financial comp. - Corporate	26,054	30,790	443	2,850	34,083	134,765	449,866	584,631	644,768
Non-financial comp.- SME-Corporate	33,629	58,728	1,591	41,274	101,593	430,177	664,906	1,095,083	1,230,305
Non-financial comp. -SME-Retail	11,769	28,878	1,211	6,260	36,349	205,307	229,025	434,332	482,450
Non-financial comp.-Other	6,847	2,585	9	5,316	7,910	3	49	52	14,809
Other loans	10,839	3,216	-	249	3,465	-	64	64	14,368
Total	130,179	165,309	22,132	70,449	257,890	1,308,141	2,020,796	3,328,937	3,717,006
Net exposure									
Individuals-Mortgage	18,933,819	2,531,128	217,132	63,486	2,811,746	383,955	759,557	1,143,512	22,889,077
Individuals-Other	5,212,303	690,342	108,223	41,020	839,585	154,804	219,170	373,974	6,425,862
Financial Companies	1,815,237	278,968	332	50	279,350	212,842	80,216	293,058	2,387,645
Non-financial comp. - Corporate	6,782,558	1,249,024	6,486	6,460	1,261,970	321,140	359,485	680,625	8,725,153
Non-financial comp.- SME-Corporate	8,791,711	2,057,437	16,184	62,630	2,136,251	919,620	434,351	1,353,971	12,281,933
Non-financial comp. -SME-Retail	3,185,403	975,972	25,274	22,635	1,023,881	300,243	293,648	593,891	4,803,175
Non-financial comp.-Other	202,480	159,688	391	51,562	211,641	97	9	106	414,227
Other loans	3,487,048	207,343	-	1,263	208,606	-	-	-	3,695,654
Total	48,410,559	8,149,902	374,022	249,106	8,773,030	2,292,701	2,146,436	4,439,137	61,622,726
% of impairment coverage									
Individuals-Mortgage	0.03%	0.54%	3.72%	6.59%	0.94%	7.96%	18.58%	15.30%	1.04%
Individuals-Other	0.58%	2.75%	8.82%	19.64%	4.55%	42.89%	57.47%	52.45%	6.99%
Financial Companies	0.24%	2.75%	5.02%	2.14%	2.75%	64.60%	72.10%	67.03%	20.29%
Non-financial comp. - Corporate	0.38%	2.41%	6.39%	30.62%	2.63%	29.56%	55.58%	46.21%	6.88%
Non-financial comp.- SME-Corporate	0.38%	2.78%	8.95%	39.72%	4.54%	31.87%	60.49%	44.71%	9.11%
Non-financial comp. -SME-Retail	0.37%	2.87%	4.57%	21.67%	3.43%	40.61%	43.82%	42.24%	9.13%
Non-financial comp.-Other	3.27%	1.59%	2.33%	9.35%	3.60%	2.70%	85.29%	32.89%	3.45%
Other loans	0.31%	1.53%	6.29%	16.46%	1.63%	0.00%	100.00%	100.00%	0.39%
Total	0.27%	1.99%	5.59%	22.05%	2.86%	36.33%	48.49%	42.85%	5.69%

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	1 January 2018								
		Stage 2				Stage 3			
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	Total
Gross Exposure									
Loans to individuals	24,150,612	3,254,702	344,216	119,005	3,717,923	688,219	1,448,295	2,136,514	30,005,049
Non-financial comp.- Trade	4,291,610	654,571	8,591	19,903	683,065	122,954	202,485	325,439	5,300,114
Non-financial comp.- Construction	1,280,528	954,626	1,944	19,854	976,424	763,616	665,353	1,428,969	3,685,921
Non finan. comp.- Manufacturing indust.	4,626,518	606,459	15,376	38,105	659,940	162,183	170,097	332,280	5,618,738
Non-financial comp.-Other activities	1,384,664	243,255	877	22,015	266,147	218,487	38,108	256,595	1,907,406
Non-financial comp.- Other services	7,457,132	2,104,194	24,801	99,109	2,228,104	1,044,114	1,355,295	2,399,409	12,084,645
Other Services /Other activities	5,349,674	497,404	349	1,564	499,317	601,269	287,599	888,868	6,737,859
Total	48,540,738	8,315,211	396,154	319,555	9,030,920	3,600,842	4,167,232	7,768,074	65,339,732
Impairment									
Loans to individuals	36,739	33,231	18,861	14,499	66,591	149,461	469,568	619,029	722,359
Non-financial comp.- Trade	17,300	13,459	966	4,291	18,716	41,412	117,030	158,442	194,458
Non-financial comp.- Construction	7,829	21,557	112	5,821	27,490	229,547	391,695	621,242	656,561
Non-financial comp.- Manufacturing industries	20,439	18,091	924	5,036	24,051	55,731	102,726	158,457	202,947
Non-financial comp.-Other activities	8,986	10,396	38	16,942	27,376	102,572	15,816	118,388	154,750
Non-financial comp.- Other services	23,745	57,478	1,214	23,610	82,302	340,990	716,579	1,057,569	1,163,616
Other Services /Other activities	15,141	11,097	17	250	11,364	388,428	207,382	595,810	622,315
Total	130,179	165,309	22,132	70,449	257,890	1,308,141	2,020,796	3,328,937	3,717,006
Net exposure									
Loans to individuals	24,113,873	3,221,471	325,355	104,506	3,651,332	538,758	978,727	1,517,485	29,282,690
Non-financial comp.- Trade	4,274,310	641,112	7,625	15,612	664,349	81,542	85,455	166,997	5,105,656
Non-financial comp.- Construction	1,272,699	933,069	1,832	14,033	948,934	534,069	273,658	807,727	3,029,360
Non finan. comp.- Manufacturing indust.	4,606,079	588,368	14,452	33,069	635,889	106,452	67,371	173,823	5,415,791
Non-financial comp.-Other activities	1,375,678	232,859	839	5,073	238,771	115,915	22,292	138,207	1,752,656
Non-financial comp.- Other services	7,433,387	2,046,716	23,587	75,499	2,145,802	703,124	638,716	1,341,840	10,921,029
Other Services /Other activities	5,334,533	486,307	332	1,314	487,953	212,841	80,217	293,058	6,115,544
Total	48,410,559	8,149,902	374,022	249,106	8,773,030	2,292,701	2,146,436	4,439,137	61,622,726
% of impairment coverage									
Loans to individuals	0.15%	1.02%	5.48%	12.18%	1.79%	21.72%	32.42%	28.97%	2.41%
Non-financial comp.- Trade	0.40%	2.06%	11.24%	21.56%	2.74%	33.68%	57.80%	48.69%	3.67%
Non-financial comp.- Construction	0.61%	2.26%	5.78%	29.32%	2.82%	30.06%	58.87%	43.47%	17.81%
Non finan. comp.- Manufacturing indust.	0.44%	2.98%	6.01%	13.22%	3.64%	34.36%	60.39%	47.69%	3.61%
Non-financial comp.-Other activities	0.65%	4.27%	4.33%	76.96%	10.29%	46.95%	41.50%	46.14%	8.11%
Non-financial comp.- Other services	0.32%	2.73%	4.90%	23.82%	3.69%	32.66%	52.87%	44.08%	9.63%
Other Services /Other activities	0.28%	2.23%	5.02%	15.99%	2.28%	64.60%	72.11%	67.03%	9.24%
Total	2.86%	17.55%	42.76%	193.06%	27.25%	264.03%	375.97%	326.07%	54.48%

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	1 January 2018								
		Stage 2				Stage 3			
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	Total
Gross Exposure									
Portugal	34,806,803	7,117,280	203,736	75,462	7,396,478	3,298,058	3,745,047	7,043,105	49,246,386
Poland	12,003,400	787,665	152,833	50,198	990,696	300,180	403,355	703,535	13,697,631
Mozambique	1,312,061	410,168	39,585	193,895	643,648	2,604	18,830	21,434	1,977,143
Switzerland	418,474	98	-	-	98	-	-	-	418,572
Total	48,540,738	8,315,211	396,154	319,555	9,030,920	3,600,842	4,167,232	7,768,074	65,339,732
Impairment									
Portugal	40,101	119,083	2,851	2,401	124,335	1,211,345	1,783,969	2,995,314	3,159,750
Poland	70,985	32,928	15,759	9,103	57,790	95,746	223,370	319,116	447,891
Mozambique	16,556	13,298	3,522	58,945	75,765	1,050	13,457	14,507	106,828
Switzerland	2,537	-	-	-	-	-	-	-	2,537
Total	130,179	165,309	22,132	70,449	257,890	1,308,141	2,020,796	3,328,937	3,717,006
Net exposure									
Portugal	34,766,702	6,998,197	200,885	73,061	7,272,143	2,086,713	1,961,078	4,047,791	46,086,636
Poland	11,932,415	754,737	137,074	41,095	932,906	204,434	179,985	384,419	13,249,740
Mozambique	1,295,505	396,870	36,063	134,950	567,883	1,554	5,373	6,927	1,870,315
Switzerland	415,937	98	-	-	98	-	-	-	416,035
Total	48,410,559	8,149,902	374,022	249,106	8,773,030	2,292,701	2,146,436	4,439,137	61,622,726
% of impairment coverage									
Portugal	0.12%	1.67%	1.40%	3.18%	1.68%	36.73%	47.64%	42.53%	6.42%
Poland	0.59%	4.18%	10.31%	18.13%	5.83%	31.90%	55.38%	45.36%	3.27%
Mozambique	1.26%	3.24%	8.90%	30.40%	11.77%	40.33%	71.46%	67.68%	5.40%
Switzerland	0.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.61%
Total	2.57%	9.10%	20.61%	51.72%	19.29%	108.96%	174.48%	155.57%	15.70%

As at 1 January 2018, the exposure by type of financial instrument, internal rating (attributed in Portugal and Poland) and by stage, is analysed as follows:

(Thousands of euros)

	1 January 2018							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
- stage 1	24,234,962	8,542,294	2,991,570	20,482	1,009,402	36,798,710	103,295	36,695,415
- stage 2	990,971	1,229,959	3,577,893	412,385	756,870	6,968,078	172,889	6,795,189
- stage 3	701	229	40,517	6,909,473	72,798	7,023,718	3,189,037	3,834,681
	25,226,634	9,772,482	6,609,980	7,342,340	1,839,070	50,790,506	3,465,221	47,325,285
Debt instruments at fair value through other comprehensive income								
- stage 1	6,506,338	309,947	-	-	1,475,421	8,291,706	-	8,291,706
- stage 2	1,490,425	17,712	-	-	50	1,508,187	-	1,508,187
- stage 3	-	-	-	-	5,150	5,150	5,150	-
	7,996,763	327,659	-	-	1,480,621	9,805,043	5,150	9,799,893
Guarantees and other commitments								
- stage 1	6,214,881	2,203,989	751,382	89	841,152	10,011,493	7,791	10,003,702
- stage 2	75,952	265,699	680,268	22,966	374,211	1,419,096	9,236	1,409,860
- stage 3	6	-	12,383	707,867	2,666	722,922	125,393	597,529
	6,290,839	2,469,688	1,444,033	730,922	1,218,029	12,153,511	142,420	12,011,091
Total	39,514,236	12,569,829	8,054,013	8,073,262	4,537,720	72,749,060	3,612,791	69,136,269

As at 30 September 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	30 September 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	34,583	23,292,745	23,327,328	13,734	176,071	189,805
Individuals-Other	178,513	6,834,648	7,013,161	75,511	352,761	428,272
Financial Companies	668,622	1,467,549	2,136,171	475,354	14,169	489,523
Non-financial comp. - Corporate	1,838,182	8,869,506	10,707,688	790,090	71,748	861,838
Non-financial comp.- SME-Corporate	1,458,091	10,674,928	12,133,019	627,835	209,290	837,125
Non-financial comp. -SME-Retail	782,079	4,777,343	5,559,422	372,577	147,756	520,333
Non-financial comp.-Other	215,001	415,846	630,847	14,626	395	15,021
Other loans	240,093	3,515,860	3,755,953	5,362	4,237	9,599
Total	5,415,164	59,848,425	65,263,589	2,375,089	976,427	3,351,516

(Thousands of euros)

	30 September 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	213,096	30,127,393	30,340,489	89,245	528,832	618,077
Individuals-Other	405,049	4,886,922	5,291,971	118,184	87,454	205,638
Financial Companies	1,222,859	2,437,724	3,660,583	506,281	85,965	592,246
Non-financial comp. - Corporate	282,482	5,272,749	5,555,231	117,141	90,027	207,168
Non-financial comp.- SME-Corporate	257,944	1,623,643	1,881,587	98,527	22,981	121,508
Non-financial comp. -SME-Retail	2,125,019	10,516,585	12,641,604	964,995	142,762	1,107,757
Non-financial comp.-Other	908,715	4,983,409	5,892,124	480,716	18,406	499,122
Other loans	5,415,164	59,848,425	65,263,589	2,375,089	976,427	3,351,516

(Thousands of euros)

	30 September 2018					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	4,287,235	44,026,503	48,313,738	2,221,114	610,273	2,831,387
Poland	173,146	14,383,462	14,556,608	88,398	341,480	429,878
Mozambique	951,200	972,529	1,923,729	63,251	24,358	87,609
Switzerland	3,581	465,933	469,514	2,325	317	2,642
Total	5,415,162	59,848,427	65,263,589	2,375,088	976,428	3,351,516

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	1 January 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	39,580	23,088,962	23,128,542	15,844	223,621	239,465
Individuals-Other	190,037	6,718,720	6,908,757	73,833	409,062	482,895
Financial Companies	881,447	2,114,144	2,995,591	594,127	13,819	607,946
Non-financial comp. - Corporate	1,336,252	8,033,669	9,369,921	584,341	60,427	644,768
Non-financial comp.- SME-Corporate	2,500,908	11,011,330	13,512,238	989,669	240,636	1,230,305
Non-financial comp. -SME-Retail	836,994	4,448,631	5,285,625	320,173	162,277	482,450
Non-financial comp.-Other	219,763	209,273	429,036	8,044	6,765	14,809
Other loans	73,783	3,636,239	3,710,022	1,978	12,390	14,368
Total	6,078,764	59,260,968	65,339,732	2,588,009	1,128,997	3,717,006

(Thousands of euros)

	1 January 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	229,617	29,775,432	30,005,049	89,677	632,682	722,359
Individuals-Other	372,837	4,927,277	5,300,114	90,782	103,676	194,458
Financial Companies	1,414,493	2,271,428	3,685,921	551,922	104,639	656,561
Non-financial comp. - Corporate	329,353	5,289,385	5,618,738	117,949	84,998	202,947
Non-financial comp.- SME-Corporate	267,529	1,639,877	1,907,406	123,920	30,830	154,750
Non-financial comp. -SME-Retail	2,509,704	9,574,941	12,084,645	1,017,654	145,962	1,163,616
Non-financial comp.-Other	955,231	5,782,628	6,737,859	596,104	26,211	622,315
Other loans	6,078,764	59,260,968	65,339,732	2,588,008	1,128,998	3,717,006

(Thousands of euros)

	1 January 2018					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	4,862,921	44,383,465	49,246,386	2,417,300	742,450	3,159,750
Poland	204,812	13,492,819	13,697,631	93,759	354,132	447,891
Mozambique	1,011,031	966,112	1,977,143	76,950	29,878	106,828
Switzerland	-	418,572	418,572	-	2,537	2,537
Total	6,078,764	59,260,968	65,339,732	2,588,009	1,128,997	3,717,006

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 30 September 2018, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	30 September 2018					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2008 and previous						
Number of operations	15,066	27,927	328,289	604,817	452	976,551
Value (Euros '000)	1,229,782	3,596,619	13,797,499	1,073,280	30,193	19,727,373
Impairment constituted (Euros '000)	179,569	180,422	151,953	35,498	672	548,114
2009						
Number of operations	2,157	3,423	19,142	73,647	70	98,439
Value (Euros '000)	271,191	710,991	933,082	117,880	11,085	2,044,229
Impairment constituted (Euros '000)	24,867	15,825	10,402	5,208	805	57,107
2010						
Number of operations	2,126	4,284	21,011	107,988	73	135,482
Value (Euros '000)	194,461	498,087	1,046,430	197,123	16,975	1,953,076
Impairment constituted (Euros '000)	20,969	18,295	7,333	4,419	2,898	53,914
2011						
Number of operations	2,055	5,704	13,832	125,194	44	146,829
Value (Euros '000)	105,797	492,354	636,724	201,777	12,655	1,449,307
Impairment constituted (Euros '000)	16,011	18,016	4,393	8,387	632	47,439
2012						
Number of operations	1,977	6,205	11,291	136,152	280	155,905
Value (Euros '000)	124,417	559,745	471,455	187,028	23,743	1,366,388
Impairment constituted (Euros '000)	11,787	96,935	6,374	8,330	810	124,236
2013						
Number of operations	3,095	9,566	11,700	181,019	164	205,544
Value (Euros '000)	153,998	1,033,498	530,965	248,989	142,455	2,109,905
Impairment constituted (Euros '000)	21,382	58,230	7,975	17,315	16,994	121,896
2014						
Number of operations	3,547	14,752	8,726	234,819	277	262,121
Value (Euros '000)	184,103	1,112,148	451,888	385,906	246,456	2,380,501
Impairment constituted (Euros '000)	7,596	50,353	6,489	28,585	2,925	95,948
2015						
Number of operations	5,074	22,184	10,071	303,015	491	340,835
Value (Euros '000)	304,063	1,836,382	603,914	611,132	177,294	3,532,785
Impairment constituted (Euros '000)	30,121	167,891	4,302	45,547	3,850	251,711
2016						
Number of operations	5,485	27,961	13,924	296,451	414	344,235
Value (Euros '000)	437,405	2,563,476	885,249	757,379	234,090	4,877,599
Impairment constituted (Euros '000)	24,167	119,588	4,478	38,635	2,884	189,752
2017						
Number of operations	6,224	31,709	25,514	310,491	569	374,507
Value (Euros '000)	764,762	3,151,094	1,876,784	970,153	314,304	7,077,097
Impairment constituted (Euros '000)	22,893	62,749	4,758	30,387	7,265	128,052
2018						
Number of operations	12,145	119,462	24,114	544,367	3,592	703,680
Value (Euros '000)	1,707,742	6,836,809	1,996,163	1,490,435	532,325	12,563,474
Impairment constituted (Euros '000)	22,138	63,653	4,598	19,486	11,361	121,236
Total						
Number of operations	58,951	273,177	487,614	2,917,960	6,426	3,744,128
Value (Euros '000)	5,477,721	22,391,203	23,230,153	6,241,082	1,741,575	59,081,734
Impairment constituted (Euros '000)	381,500	851,957	213,055	241,797	51,096	1,739,405

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2017, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	31 December 2017					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2007 and previous						
Number of operations	13,525	25,709	293,527	518,544	469	851,774
Value (Euros '000)	1,102,287	3,293,047	11,950,816	566,768	282,030	17,194,948
Impairment constituted (Euros '000)	172,898	127,150	118,985	39,144	86,688	544,866
2008						
Number of operations	2,334	4,438	51,483	84,530	101	142,886
Value (Euros '000)	430,283	690,601	2,859,321	118,454	71,494	4,170,153
Impairment constituted (Euros '000)	53,814	36,708	37,916	9,427	9,846	147,711
2009						
Number of operations	2,342	3,835	20,171	73,416	82	99,846
Value (Euros '000)	297,134	705,530	1,016,080	91,262	57,557	2,167,563
Impairment constituted (Euros '000)	25,956	15,910	12,920	7,818	668	63,272
2010						
Number of operations	2,139	4,670	22,205	92,057	107	121,178
Value (Euros '000)	318,513	442,468	1,139,539	108,272	69,002	2,077,794
Impairment constituted (Euros '000)	24,176	21,367	7,321	6,647	13,483	72,994
2011						
Number of operations	2,084	6,168	14,505	105,969	102	128,828
Value (Euros '000)	251,558	548,450	690,366	135,493	99,878	1,725,745
Impairment constituted (Euros '000)	24,473	18,361	3,948	8,904	9,144	64,830
2012						
Number of operations	1,985	7,595	11,886	110,811	127	132,404
Value (Euros '000)	130,199	653,268	512,374	126,610	18,557	1,441,008
Impairment constituted (Euros '000)	11,940	69,121	4,523	10,514	2,298	98,396
2013						
Number of operations	2,828	11,243	12,391	157,954	261	184,677
Value (Euros '000)	248,907	1,021,859	582,308	207,984	505,504	2,566,562
Impairment constituted (Euros '000)	22,000	33,870	5,886	22,112	39,142	123,010
2014						
Number of operations	3,429	17,518	9,152	186,626	346	217,071
Value (Euros '000)	306,153	1,525,860	491,689	322,617	271,324	2,917,643
Impairment constituted (Euros '000)	9,149	54,225	4,526	33,075	19,289	120,264
2015						
Number of operations	4,696	24,652	10,533	252,867	590	293,338
Value (Euros '000)	354,769	2,457,408	651,805	597,156	377,141	4,438,279
Impairment constituted (Euros '000)	30,477	105,387	2,525	42,437	103,223	284,049
2016						
Number of operations	5,107	31,664	14,425	275,819	592	327,607
Value (Euros '000)	577,491	2,737,819	957,102	829,740	309,842	5,411,994
Impairment constituted (Euros '000)	20,440	64,001	3,090	28,886	7,371	123,788
2017						
Number of operations	8,562	102,309	25,986	389,045	4,039	529,941
Value (Euros '000)	1,150,717	5,203,244	1,973,777	1,312,089	551,122	10,190,949
Impairment constituted (Euros '000)	17,714	51,943	4,414	20,182	21,593	115,846
Total						
Number of operations	49,031	239,801	486,264	2,247,638	6,816	3,029,550
Value (Euros '000)	5,168,011	19,279,554	22,825,177	4,416,445	2,613,451	54,302,638
Impairment constituted (Euros '000)	413,037	598,043	206,054	229,146	312,745	1,759,026

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 30 September 2018, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	30 September 2018					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)
< 0.5 M€						
Number	7,948	7,996	10,788	64,827	410,037	474
Value (Euros '000)	993,279	206,568	1,513,482	1,528,058	44,865,323	24,332
>= 0.5 M€ and < 1 M€						
Number	625	51	1,296	281	2,367	6
Value (Euros '000)	424,533	32,296	905,956	196,799	1,530,501	3,788
>= 1 M€ and < 5 M€						
Number	457	49	1,036	253	356	2
Value (Euros '000)	929,818	85,308	2,048,009	481,193	539,470	4,203
>= 5 M€ and < 10 M€						
Number	61	4	115	32	4	-
Value (Euros '000)	420,061	29,574	779,247	216,364	24,124	-
>= 10 M€ and < 20 M€						
Number	35	4	62	16	-	-
Value (Euros '000)	471,756	56,023	838,523	240,815	-	-
>= 20 M€ and < 50 M€						
Number	22	1	25	6	-	-
Value (Euros '000)	622,145	22,536	745,411	154,498	-	-
>= 50 M€						
Number	3	-	9	2	-	-
Value (Euros '000)	189,577	-	736,816	688,193	-	-
Total						
Number	9,151	8,105	13,331	65,417	412,764	482
Value (Euros '000)	4,051,169	432,305	7,567,444	3,505,920	46,959,418	32,323

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2017, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	31 December 2017					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)
< 0.5 M€						
Number	8,234	7,265	11,659	59,792	405,122	466
Value (Euros '000)	973,882	192,714	1,548,932	1,456,339	44,297,149	24,169
>= 0.5 M€ and < 1 M€						
Number	539	56	1,179	267	2,182	6
Value (Euros '000)	367,191	35,677	818,215	186,548	1,405,443	3,948
>= 1 M€ and < 5 M€						
Number	409	58	938	246	297	2
Value (Euros '000)	821,414	111,562	1,842,171	501,882	440,762	4,039
>= 5 M€ and < 10 M€						
Number	47	6	108	23	3	-
Value (Euros '000)	319,356	46,363	737,290	170,979	18,391	-
>= 10 M€ and < 20 M€						
Number	38	4	62	19	-	-
Value (Euros '000)	555,655	57,738	833,482	272,379	-	-
>= 20 M€ and < 50 M€						
Number	11	1	30	4	-	-
Value (Euros '000)	315,506	22,230	944,616	108,978	-	-
>= 50 M€						
Number	4	-	9	4	-	-
Value (Euros '000)	250,839	-	834,614	842,987	-	-
Total						
Number	9,282	7,390	13,985	60,355	407,604	474
Value (Euros '000)	3,603,843	466,284	7,559,320	3,540,092	46,161,745	32,156

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 30 September 2018, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	30 September 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,103,594	570,115	670,852	343,459
<60%	9,273	416,432	181,412	88,463	29,709
>=60% and <80%	4,194	388,468	105,034	147,803	29,346
>=80% and <100%	2,391	152,890	31,883	143,032	40,428
>=100%	16,032	242,831	301,109	854,229	377,158
Companies - Other Activities					
Without associated collateral	n.a.	14,685,092	1,571,022	1,608,168	1,020,516
<60%	46,651	1,314,822	442,570	234,908	85,643
>=60% and <80%	17,152	973,413	214,723	176,192	61,218
>=80% and <100%	13,287	691,037	129,664	139,795	66,901
>=100%	8,733	1,095,741	327,920	963,331	641,105
Mortgage loans					
Without associated collateral	n.a.	263,248	27,484	11,342	10,331
<60%	272,085	8,028,432	924,390	197,641	30,153
>=60% and <80%	144,605	7,150,538	1,013,414	240,014	29,761
>=80% and <100%	66,887	3,210,451	605,283	266,283	31,510
>=100%	28,973	1,309,328	224,752	421,923	136,735

As at 1 January 2018, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	1 January 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,083,997	749,908	903,739	419,283
<60%	8,703	326,283	246,476	85,772	24,494
>=60% and <80%	3,359	193,619	143,375	163,915	31,995
>=80% and <100%	2,069	89,822	182,921	160,284	53,834
>=100%	11,901	168,907	247,013	1,042,934	443,955
Companies - Other Activities					
Without associated collateral	n.a.	15,472,983	1,586,081	1,790,752	1,018,913
<60%	42,479	1,138,439	368,552	250,503	87,389
>=60% and <80%	15,397	800,458	267,183	171,720	60,707
>=80% and <100%	12,087	585,056	161,075	156,480	72,560
>=100%	6,891	779,776	343,049	1,115,139	731,383
Mortgage loans					
Without associated collateral	n.a.	266,679	49,697	14,176	13,204
<60%	266,761	7,764,782	905,337	223,142	30,201
>=60% and <80%	139,571	6,649,171	1,019,794	262,125	26,212
>=80% and <100%	73,125	3,327,519	654,942	351,238	36,957
>=100%	32,652	1,277,085	250,529	582,800	181,153

As at 31 December 2017, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	31 December 2017			
Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
Construction and CRE				
Without associated collateral	n.a.	2,392,620	698,185	369,525
<60%	9,331	538,924	95,724	26,589
>=60% and <80%	4,113	359,663	148,150	26,228
>=80% and <100%	2,234	305,654	122,626	48,536
>=100%	38,406	477,589	1,183,727	450,285
Companies - Other Activities				
Without associated collateral	n.a.	13,407,838	1,282,197	695,075
<60%	44,040	1,611,046	173,476	77,424
>=60% and <80%	15,305	1,043,046	128,443	43,284
>=80% and <100%	11,758	778,326	142,199	65,057
>=100%	7,011	1,624,093	624,692	402,082
Mortgage loans				
Without associated collateral	n.a.	409,090	13,260	11,301
<60%	266,317	8,684,265	186,719	20,513
>=60% and <80%	139,291	7,692,693	223,109	18,064
>=80% and <100%	72,474	3,980,818	309,375	28,094
>=100%	32,449	1,550,105	547,008	162,694

As at 30 September 2018, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

(Thousands of euros)

	30 September 2018					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Asset value	Book value	Asset value	Book value	Asset value	Book value
Land						
Urban	510,244	456,825	330,387	330,387	840,631	787,212
Rural	28,521	25,535	32,760	32,760	61,281	58,295
Buildings in development						
Commercials	23,799	22,926	34,750	34,750	58,549	57,676
Mortgage loans	57,213	53,296	9,094	9,094	66,307	62,390
Other	60	60	-	-	60	60
Constructed buildings						
Commercials	363,273	319,669	31,975	31,975	395,248	351,644
Mortgage loans	502,897	441,441	52,874	52,874	555,771	494,315
Other	6,134	6,078	3,893	3,893	10,027	9,971
Other	4,016	4,016	-	-	4,016	4,016
	1,496,157	1,329,846	495,733	495,733	1,991,890	1,825,579

As at 31 December 2017, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

(Thousands of euros)

	31 December 2017					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Asset value	Book value	Asset value	Book value	Asset value	Book value
Land						
Urban	610,976	560,413	378,754	378,754	989,730	939,167
Rural	10,065	7,679	3,476	3,476	13,541	11,155
Buildings in development						
Commercials	6,289	5,683	37,651	37,651	43,940	43,334
Mortgage loans	60,147	55,980	9,095	9,095	69,242	65,075
Other	721	721	-	-	721	721
Constructed buildings						
Commercials	366,978	325,130	35,581	35,581	402,559	360,711
Mortgage loans	673,157	604,417	10,564	10,564	683,721	614,981
Other	4,562	4,365	5,238	5,238	9,800	9,603
Other	-	-	-	-	-	-
	1,732,895	1,564,388	480,359	480,359	2,213,254	2,044,747

Credit concentration risk

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document Credit Principles and Guidelines, approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity. Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Corporate single-name exposures (Large exposures);
2) Exposures to sovereign risks;
3) Exposures to Institutions (Banks/financial institutions);
4) Exposure to sectors of activity;
5) Geographic concentration (country risk).

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The measurement of geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique).

Except for case 4), the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The in force limits, as at 30 September 2018, for single-name concentration are presented in the following table, which indicates the single-name limit for any given Customer/Group of Customers, as the Net Exposure weight over the consolidated Own Funds:

Risk quality	Risk grade	Max Net exposure as a % of COF
High quality	1 – 5	8.0%
Average/good quality	6 – 7	6.0%
Average low/quality	8 - 9	4.0%
Low quality	10 – 11	1.0%
Restricted credit	12 or worse	0.5%

As at 30 September 2018 there were 4 Economic Groups with net exposure above the limits approved for the respective risk grade, the same number of clients in that situation by the end of 2017 and on 30 June 2018. For each client with exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the measurement of this concentration type is also done within the Group RAS (Risk Appetite Statement)(***) scope.

Risk grades: 1 – 3 - Very low risk ; 4 – 6 - Low risk; 7 - 12 - Average (or lower quality) risk.

(*) Net exposure = EAD x LGD, assuming that PD=1 and considering LGD=45% whenever own estimates for LGD are not available.
(**) NPE = Non-performing exposures
(***) "Risk Appetite" indicators.

The following tables present the concentration limits to Sovereigns, Institutions, countries and activity sectors, as well as the measurements of these concentrations as at 30 September 2018:

Counterparties	Limit (% of COF)	Net exposure % weight
Sovereigns	Very low risk 25%; low risk 10%; average (or lower quality) risk 7.5%	Sovereign 1: 2,7% (very low risk); Sovereign 2: 0,8% (low risk); Sovereign 3: 0,4% (low risk); Sovereign 4: 0,1% (very low risk)
Institutions	Very low risk 10%; low risk 5%; average (or lower quality) risk 2.5%	Institution 1: 2,4% (very low risk); Institution 2 (average or lower quality risk): 2,1%; Institution 3: (very low risk) 1,0%; Institution 4: 0,5%; Institution 5: 0,5%; Institution 6: 0,5% ; Institution 7: 0,4%; Institution 8: 0,4%; Institution 9: 0,4%; Institution 10: 0,3%; Institution 11: 0,3%; Institution 12: 0,3%; Institution 13: 0,3%; Institution 14: 0,2%; Institution 15: 0,2%; Institution 16: 0,2%; Institution 17: 0,2%; Institution 18: 0,2%; Institution 19: 0,2%; Institution 20: 0,1%

Portfolios	Limit (% of COF)	Net exposure % weight
Country risk	Very low risk 40%; low risk 20%; average (or lower quality) risk 10%	Country 1 (very low risk): 3,8%; Country 2 (very low risk): 2,9%; Country 3 (average or lower quality risk): 2,9%; Country 4 (very low risk): 2,4%; Country 5 (low risk): 2,1%; Country 6 (very low risk): 1,8%; Country 7 (very low risk): 1,7%; Country 8: 1,5%; Country 9: 1,3%; Country 10: 0,6%; Country 11: 0,5%; Country 12: 0,5%; Country 13: 0,5%; Country 14: 0,4%; Country 15: 0,3%
Sectors of activity	40% of the Group entity's Own Funds	Portugal: Other corporate services 28,1%; Construction 18,5%; Other activities 17,5%; Wholesale and retail trade and repairs 17,4%; Financial and insurance activities 15,2% Poland: Wholesale and retail trade and repairs 25,1%; Transporting and storage 11,4%; Other corporate services 7,7%; Financial and insurance activities 6,8%

COF = Consolidated Own Funds

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group's systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

Market risk

Market risks consist in losses that may occur as a result of changes in rates (interest or exchange rates) and / or in the prices of different financial instruments, considering not only the correlations between them but also their volatilities.

For the purposes of profitability analysis and market risk quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities management.

The definition of these areas allows for an effective separation of the trading and banking portfolios management, as well as for a proper allocation of each operation to the most appropriate management area, according to its context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The following table presents the values at risk for the trading book between 31 December 2017 and 30 September 2018, as measured by the above methodologies:

(Thousands of euros)

	30 September 2018	Average	Maximum	Minimum	31 December 2017
Generic Risk (VaR)					
Interest Rate Risk	2,141	5,160	2,692	1,637	2,450
FX Risk	260	495	847	598	790
Equity Risk	56	89	53	39	36
Diversification effects	342	336	609	459	730
	2,115	5,408	2,983	1,815	2,546
Specific Risk	138	1,124	136	19	100
Non Linear Risk	15	17	8	2	7
Commodities Risk	2	7	3	1	6
Global Risk	2,270	5,579	3,130	1,947	2,659

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identify risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

	30 September 2018			
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	1,821	1,821	2,970	5,876
EUR	(13,348)	(23,256)	103,010	202,356
PLN	7,211	3,683	(3,220)	(6,023)
USD	(31,512)	(15,453)	14,867	29,189
	(35,828)	(33,205)	117,627	231,398

(Thousands of euros)

	31 December 2017			
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	2,604	2,604	3,815	7,555
EUR	(62,356)	(64,565)	210,712	409,920
PLN	(27,614)	(14,137)	13,840	27,386
USD	(26,289)	(12,915)	12,423	24,405
	(113,655)	(89,013)	240,790	469,266

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1 B), the financial statements of the Group's subsidiaries and associates residing abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	30 September 2018	31 December 2017	30 September 2018	30 September 2017
AOA	341.9660	199.0190	281.2516	181.7892
BRL	4.6379	3.9775	4.2821	3.4674
CHF	1.1345	1.1704	1.1579	1.0754
MOP	9.3612	9.6669	9.3612	9.1685
MZN	71.1200	70.4400	72.2233	71.8837
PLN	4.2807	4.1756	4.2491	4.2604
USD	1.1613	1.2006	1.1973	1.0893

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are covered by market operations, considering the policy defined and the availability and conditions of the instruments.

As at 30 September 2018, the Group’s financial holdings in CHF and PLN were hedged. On a consolidated basis, these hedges are identified, in accounting terms, as ‘Net investment hedges’, in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a ‘Fair Value Hedge’ methodology, in this case also for positions in USD.

Regarding equity risk, the Group maintains a series of equity positions of a small size and low risk in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks.

As at 30 September 2018, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		30 September 2018			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	81,170	81,170	71,545	71,545
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	600,373	600,373

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 C4).

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

Evaluation of the Group’s liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group’s liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank’s securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the quarterly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

The Liquidity Coverage Ratio (LCR) stood at 182% at the end of September 2018 on a consolidated basis, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios of value compatible with prudent management of the Group's short-term liquidity, having improved favorably against December 2017 (158%).

At the same time, the Group has a strong stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (NSFR - Net Stable Funding Ratio) to reach 128% in September 2018 (31 December 2017: 124%).

Consolidated wholesale financing increased between December 2017 and September 2018, mainly due to the increase in the liquidity needs arising from the increase in the sovereign debt portfolio, partially offset by the decrease in the commercial gap in Portugal and the cash flow from operations. The increase in liquidity needs was made by resort to the interbank market in Portugal.

Net borrowing with the ECB amounted to Euros 3,199,299,000 as at 30 September 2018, a level similar to that reached at the end of December 2017 (Euros 3,048,618,000) and materially lower than the average balance observed in 2017. The liquidity buffer with the ECB, in the amount of Euros 12,492,711,000, remained in line with that of the previous quarter and evidenced a reinforcement of Euro 2,765,070,000 compared to December 2017. Considering other assets highly liquid or eligible for conversion into eligible collateral with the ECB in the short term, the buffer would amount to Euros 13,515,711,000 (Euros 11,051,308,000 in December 2017).

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks in Europe, net of haircuts, is detailed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
European Central Bank	7,196,807	7,431,756
Other Central Banks	4,669,135	3,216,224
	11,865,942	10,647,980

As at 30 September 2018, the amount discounted in the European Central Bank amounted to Euros 4,000,000,000 (31 December 2017: Euros 4,000,000,000). As at 30 September 2018 and 31 December 2017 no amounts were discounted in Other Central Banks. The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs concerning securitization operations in which the assets were not derecognised at a consolidated level. Therefore, the respective securities are not recognised in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	30 September 2018	31 December 2017
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	7,196,807	7,431,756
Outside the pool of ECB monetary policy	8,415,203	5,344,503
	15,612,010	12,776,259
Net borrowing at the ECB (ii)	3,119,299	3,048,618
Liquidity buffer (iii)	12,492,711	9,727,641

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 30 September 2018, the value of funding with ECB net of interest associated with negative financing rate applied to TLTRO (Euros 36,117,000), of deposits with the Bank of Portugal and other liquidity of the Eurosystem (Euros 1,207,285,000), plus the minimum cash reserves (Euros 362,701,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 30 September 2018 of 89% and on 31 December 2017 this ratio was set at 94%.

Liquidity coverage ratio

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and the Delegated Act by the European Commission was adopted in early October 2015, which introduced, in relation to CRD IV / CRR, new metrics and calculation criteria implemented in the European Union. The adoption of the new framework defines a minimum requirement of 100% as at 1 January 2018. The LCR ratio of the BCP Group comfortably stood above the regulamentar limit indicating 182% at the end of September 2018 (31 December 2017: 158%), supported by highly liquid asset portfolios of value compatible with prudent management of the Group's short-term liquidity.

Net stable funding ratio

The definition of the Net stable funding ratio (NSFR) was approved by the Basel Committee in October 2014. As regards this ratio, the Group presents a stable financing base obtained by the high weight of customer deposits into the funding structure, by collateralized financing and medium and long-term instruments, which allowed that the levels of stable financing ratio established in September 2018 set the NSFR at 128% (31 December 2017: 124%).

Encumbered assets

According to the Notice n.º28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority on disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and considering the recommendation made by the European Systemic Risk Board, the following information regarding the assets and collaterals, is presented as follows:

(Thousands of euros)

	30 September 2018			
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution, of which:	11,224,340	n/a	61,746,630	n/a
Equity instruments	-	-	400,499	400,499
Debt securities	2,023,414	2,023,447	14,329,688	14,330,232
Other assets	-	-	7,952,402	n/a

(Thousands of euros)

	31 December 2017			
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution, of which:	12,542,681	n/a	60,204,359	n/a
Equity instruments	-	-	1,946,587	1,946,587
Debt securities	2,222,056	2,222,056	11,029,696	11,019,693
Other assets	-	-	8,744,647	n/a

(Thousands of euros)

Collateral received	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Collateral received by the reporting institution	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	-	-	336,264	50,471
Other assets	-	-	-	-
Own debt securities issued other than own covered bonds or ABSs encumbered	-	-	-	-

(Thousands of euros)

Encumbered assets, encumbered collateral received and matching liabilities	Carrying amount of selected financial liabilities	
	30 September 2018	31 December 2017
Matching liabilities, contingent liabilities and securities lent	6,973,081	8,957,873
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	10,066,955	11,885,777

The encumbered assets are mostly related to collateralized financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitization programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitization programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralize repo transactions in the money market. The funding raised from the IEB is collateralized by Portuguese public debt and bonds issues of the public sector entities.

The balance other assets in the amount of Euros 7,952,402,000 (31 December 2017: Euros 8,744,647,000) although unencumbered, are mostly related to the Group's activity, namely: investments in associates and subsidiaries, tangible fixed assets and investment property, intangible assets, assets associated with derivatives and deferred tax assets and current taxes.

The amounts presented in these tables correspond to the position as at 30 September 2018 and 31 December 2017 reflecting the high level of collateralisation of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 30 September 2018 amounts to Euros 12,492,711,000 (31 December 2017: Euros 9,727,641,000).

Operational Risk

The approach to operational risk management is based on the business process structure and an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Group, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

COVENANTS

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of BCP.

53. 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).

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. The additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

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). This transitional period is applied to 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, 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)

	30 September 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	(83)	(88)
Reserves and retained earnings	22,040	401,067
Minority interests eligible to CET1	522,618	564,042
Regulatory adjustments to CET1	(1,272,452)	(1,262,956)
	4,889,332	5,319,274
Tier 1		
Capital Instruments	1,169	4,130
Minority interests eligible to AT1	73,415	47,084
Regulatory adjustments	-	(51,214)
	4,963,916	5,319,274
Tier 2		
Subordinated debt	503,170	596,693
Minority interests eligible to CET1	152,449	146,229
Other	(58,800)	(130,345)
	596,819	612,577
Total own funds	5,560,735	5,931,851
RWA - Risk weighted assets		
Credit risk	36,718,770	35,366,357
Market risk	1,675,978	991,992
Operational risk	3,574,097	3,574,097
CVA	173,048	238,668
	42,141,893	40,171,114
Capital ratios		
CET1	11.6%	13.2%
Tier 1	11.8%	13.2%
Tier 2	1.4%	1.5%
	13.2%	14.8%

54. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

In accordance with accounting policy 1 V3), the main contingent liabilities and other commitments under IAS 37 are as follows:

1. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted to the Bank's premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market. The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process.

The Bank received on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings nr. 2012/9, and was charged of taking part in the exchange of information amongst Banks of the system relating to pricing already approved and mortgage and consumption loan operations already approved or granted. Concerning the charges brought forward, the Bank will present its reply to the notice and afterwards, if need be, will present its legal objections. We must point out that a notice of an illicit act does not imply the making of a final decision concerning the proceedings. If the Competition Authority were to issue a conviction, the Bank could be sentenced to pay a fine within the limits set forth by the law, which foresees a maximum amount equivalent to 10% of the consolidated annual turnover registered in the year prior to the making of the decision. Notwithstanding, such a decision may be contested in court. The proceedings were suspended by the Competition Authority until the legal decision of the various pending interlocutory appeals.

In October 2016, the Lisbon Court of Appeal overruled the decision of the Competition, Regulation and Supervision Court which had decided for the proceedings to be suspended. The Bank appealed to the Constitutional Court on this sentence. The Constitutional Court denied the appeal and the decision became final.

On 4 July 2017, the Competition Authority notified the Bank on the decision regarding the withdrawal of the suspension concerning the access to documents deemed as confidential and of the extension of the term for the making of a decision on the illicit act for more 40 days.

The Portuguese Competition Authority refused the Bank´s application for confidential treatment of some of the information in the Bank´s defence against the notice of illegal act. In June 2018 the Bank filed an appeal with the Portuguese Competition, Regulation and Supervision Court (which is pending) and filed its defence against the notice of illegal act in a non-confidential version

2. On 20 October 2014, Bank Millennium Poland was notified of a class action against the Bank that aims to assess the "illicit" gains of the Bank taking into account certain clauses in mortgage loan agreements indexed in CHF. On 28 May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing the dismissal of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank´s motion for a security deposit to secure litigation costs. Bank Millennium filed an appeal on this decision on 6 April 2016, which was denied by the Court of Appeal on 13 July 2016.

On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The Bank has not yet been notified of this submission. On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings.

Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. On 16 December 2016 the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. At a hearing on 15 March 2017 the Regional Court issued decision for the case to be heard in group action proceedings. On 18 April 2017 the Bank filed an appeal against the above decision; currently the date of reviewing the case by the Court of Appeal in Warsaw has not been scheduled yet. On 30 June 2017 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by further 676 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 132.7 million (Euros 31 million, including the values provided in the statement of claim and the previous submissions concerning extension of the claim dated 4 March 2015 and 17 February 2016). On 28 September 2017 the Court of Appeal in Warsaw issued a decision dismissing the Bank's appeal against the decision the Regional Court in Warsaw dated 15 March 2017; thus, the decision for the case to be heard in group action proceedings became final. On 20 November 2017, the District Court in Warsaw ordered the publication in the newspaper "Rzeczpospolita" that group proceedings had been initiated. The announcement was published on 23 January 2018; the deadline for further borrowers to join the proceedings was 23 April 2018.

In the last extension of claim (dated 24 April 2018), 382 new borrowers declared their accession to the group. Including all previous extensions of claim, the total number of declared members of the group is currently approx. 5,400 persons, while the total value of the subject matter of the dispute was indicated as approx. PLN 146 million (Euros 34.1 million) The next stage of the proceedings will be establishing the composition of the group. As yet, the Regional Court in Warsaw has not set a deadline for the Bank to challenge the membership of particular individuals in the group.

On 3 December 2015 the Bank received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF - indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (Euros 0.8 million) claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. On 3 March 2016 the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. On 16 February 2017, the Court of Appeal denied the appeal brought forward by the Bank and the previous sentence became definitive. On 30 March 2017 the Regional Court in Warsaw dismissed Bank's motion to oblige the plaintiff to provide security for costs of proceedings. On 10 April 2017 Bank filed a complaint to the Court of Appeal in Warsaw against the decision dismissing the motion to provide security. The decision is final. On 13 September 2017 the Court of Appeal in Warsaw dismissed the complaint against the decision of the Regional Court in Warsaw of 30 March 2017 on dismissal of the motion to provide security. The decision is final. On 28 December 2017, pursuant to the decision from 10 October 2017, the Regional Court in Warsaw announced the initiation of group proceedings in the newspaper "Rzeczpospolita", thus setting a period of three months for submitting by interested parties the statements on joining the group. Pursuant to the court´s order, the representative of the group filed with the Regional Court in Warsaw an update list of all the members of the group amounting to 709 persons and lodged a further claim for slightly above PLN 5 million (Euros 1.17 million) altogether.

3. On 28 December 2015, Bank Millennium was notified of a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute PLN 521.9 million (Euros 121.9 million) with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to the Bank on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand.

In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250 million (Euros 58.4 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. After prior exchange of pleadings, the Court on the first hearing on 10 October 2017 has started the evidentiary hearings. On the hearing on 24 April 2018 the Bank's witnesses were heard. The parties submitted further requests for evidence. Next hearing was set at 29 October 2018.

Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. Favourable forecasts for the Bank, as regards dismissal of the suit in both proceedings, is confirmed by a renowned law firm representing the Bank in the proceeding.

4. On 3 January 2018, Bank Millennium received decision of the President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by the Bank of the rights of consumers. In the opinion of the President of UOKiK the essence of the violation is that the Bank informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates do not apply to them. According to the position of the President of UOKiK the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contracts from the beginning. As a result of the decision, the Bank was obliged to:
1) send information on the UOKiK decision to the said 78 clients;
2) place the information on decision and the decision itself on the website and on twitter;
3) to pay a fine PLN 20.7 million (Euros 5 million). The decision on the fine is not immediately enforceable.

The decision of the President of UOKIK is not final. The Bank does not agree with this Decision and lodged an appeal within the statutory time limit.

5. On 19 January 2018 the Bank has received the lawsuit petition of First Data Polska SA requesting the payment of PLN 186.8 million (Euros 43,6 million). First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on cooperation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. The Bank does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law.

6. In Poland, on 2 August 2016 the President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law is to apply to FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Bill concerns the return of part of FX spreads applied by banks.

On 2 August 2017 a new Presidential Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Restructuring Fund. As regards the Supporting Fund, the Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Restructuring Fund is to be used for currency conversion of FX mortgages to PLN. The Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules.

Quarterly payments to the Restructuring Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, estimated by KNF, are up to PLN 2.8 billion (Euros 654 million) in the first year of operation of the Restructuring Fund. According to the Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables for restructuring with consideration of stability of the financial system and effective use of money in the Restructuring Fund.

Including the two above Bills, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Bank. However, if any of the Bills is adopted and begins to bind banks, this may lead to significant reduction of the Bank's profitability and its capital position.

7. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;
b) have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;
c) have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defence and counterclaim, demanding the payment of the debt. The Plaintiffs submitted their defence against the counterclaim and the Bank answered in July 2016. The proceedings are waiting for the schedule of a prior hearing or the issue of a conclusive opening order.

8. RESOLUTION FUND

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, the Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the "eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to take, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

Moreover, following this process, a significant number of lawsuits against the Resolution Fund was filed and is underway.

On 31 March 2017, the Bank of Portugal communicated about the sale of Novo Banco, where it states the following: " Banco of Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital.

The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in case certain cumulative conditions are to be met related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.

Any capital injections to be carried out pursuant to this contingent mechanism benefit from a capital buffer resulting from the injection to be made under the terms of the agreement and are subject to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules."

On 18 October 2017, following the resolution of the Council of Ministers No. 151-A/2017 of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution will cease, fully complying with the purposes of the resolution of Banco Espírito Santo.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underling Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the state that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion (*) that revealed significant uncertainties as regards adequacy in provisioning (**):

(i) Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*)(**).

(ii) Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion (**).

(iii) In case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (iii).

On 28 March 2018, the Resolution Fund announced that, following the disclosure of Novo Banco 2017 results, the contingent capitalization mechanism provided in Novo Banco's sale agreement reached Euros 792 million, falling within the obligations of the Resolution Fund.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 791,695 thousands to the Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430,000 thousands under the terms agreed between the Portuguese State and the Resolution Fund.

Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

In the Novo Banco Report of 30 June 2018, it was stated that on that date the amount of 726,369 thousand of euros to be received from the Resolution Fund in 2019 under the aforementioned contingent capitalization mechanism. It is also stated that this amount depends, at the date of each balance sheet, on the losses incurred and on the regulatory ratios in force at the time of their determination and may vary according to these factors throughout the year. Accordingly, this amount is provisional, and its definitive determination is made with reference to 31 December 2018.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of the Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. In 2017 Resolution Fund Report, it is disclosed that: (i) as a result of the partial early repayments made by Oitante, the amount outstanding of these obligations had been reduced to Euros 565.6 million at the end of 2017; (ii) in 2018 Oitante made a new partial early reimbursement of Euros 10 million, and (iii) considering the early repayments, as well as the information provided by the Oitante's Board of Directors regarding the activity performed in 2017, the Fund expects that there will be no relevant situations triggering the guarantee provided by the Resolution Fund.

(*) Exact value not disclosed by the European Commission for confidentiality reasons.
(**) As referred to in the respective European Commission Decision.

The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund. The Euros 489 million taken by the Resolution Fund were funded through a loan granted by the State.

In a statement of 28 March 2018, the Resolution Fund confirms the outstanding principal amount of Euros 353 million related to this loan, due to the early reimbursement of Euros 136 million already made. This amount corresponds to the income of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism that was not transferred to the Single Resolution Fund. This amount will be paid to the Single Resolution Fund by credit institutions that are covered by this scheme over a period of 8 years, starting in 2016.

Liabilities and Financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif and after the agreement of sale of Novo Banco to Lone Star, the Resolution hold, as at 30 September 2018, all the share capital of Oitante, and 25% of the capital of Novo Banco but without the corresponding voting rights.

Under the scope of these measures, the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;
- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;
- Legal proceedings filed against the Resolution Fund;
- Guarantee granted to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;
- Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*)(**).
- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion. That amount is reduced by the amount which the Resolution Fund has to provide in the course of the underwriting of the Tier 2 instruments (**). This underwriting did not take place as the emission was taken by third party entities as disclosed by Novo Banco on 29 July 2018.
- In case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (iii).
-State loan in the amount of Euros 430,000 thousand under the agreement between the Portuguese State and the Resolution Fund to cover possible funding needs arising from the activation of the aforementioned contingent capital mechanism.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement on the basis of a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed". These loans in the amount of Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euro 700 million were granted by a group of banks".
- "Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another".
- "The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund".
- "The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".

(*) Exact value not disclosed by the European Commission for confidentiality reasons.
(**) As referred to in the respective European Commission Decision.

On 2 October 2017, by Council of Ministers (Resolution No. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative balance of Euros 5,104 million, according to the latest 2017 annual report of the Resolution Fund

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of finance to determine, by ordinance, that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have resources to fulfil with their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely."

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year on the basis of objective incidence of periodic contributions. The instruction of the Bank of Portugal No. 20/2017, published on 19 December 2017, set the base rate to be effective in 2018 for the determination of periodic contributions to the FR by 0.0459% against the rate of 0.0291% effective in 2017.

Thus, during 2018, the Group made regular contributions to the Resolution Fund in the amount of Euros 12,122 thousands. The amount related to the contribution on the banking sector, registered in the first semester of 2018, was Euros 33,066 thousands. These contributions were recognized as cost in the months of April and June 2018, in accordance with IFRIC No. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Group had to make an initial contribution in the amount of Euros 31,364 thousands. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution, in 2018, attributable to the Group was Euros 24,922 thousands, of which the Group delivered Euros 21,185 thousands and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante.

Despite the possibility foreseen in the applicable legislation concerning the payment of special contributions, taking into consideration the recent developments in the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including the Bank, and the public notice made by the Resolution Fund and by the Office of the Portuguese Ministry of Finance mentioning that such a possibility will not be used, the interim condensed consolidated financial statements as at 30 September 2018 reflect the Bank's expectation that no special contributions or other type of extraordinary contributions will be required of the institutions to finance the resolution measures applied to BES and to Banif.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

9. As announced, in 2012 the Bank issued subordinated debt securities in the amount of Euros 3,000 million, convertible into capital in contingency situations (CoCos), which were subscribed by the Portuguese State and which qualify as Tier I. If the amortization of this outstanding amount does not occur until 30 June 2017, the unamortized securities will be converted into (ordinary) shares, under conditions established by law. Also, under the context of timely published information in this respect, the restructuring plan approved by the European authorities provided for a set of commitments, including those relating to the repayment schedule of these instruments, which could require the Bank to adopt measures with adverse impact on its activity, financial condition and results of operations.

Until 31 December 2016, Euros 2,300 million of the CoCos were reimbursed and, on 9 February 2017, Banco Comercial Português, S.A., reimbursed the remaining Euros 700 million to the Portuguese State. This reimbursement, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

The commitments of the Restructuring Plan ceased on 31 December 2017 with the end of the transition period, following the full reimbursement of the CoCos in anticipation of the defined schedule, and the European Commission confirmed in March 2018 that the Restructuring Plan had been successfully completed and that the monitoring of the commitments contained therein had been closed.

10. On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that this reduction of salaries will be returned to the employees, subject to the approval at the General Meeting of shareholders of the Bank, on proposal of the Executive Committee.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives. This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds.

With the implementation of the Restructuring Plan, the Bank was able to anticipate the full repayment of public funding in February 2017 and for this reason, the Board of Directors decided to bring forward by the end of the transitional period of the wage adjustment to July 2017.

11. The Bank was subject to tax inspections for the years up to 2015. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred in the case of IRC in terms of the tax loss carry forwards and, in the case of VAT, in the calculation of the tax deduction pro rata used for the purpose of determining the amount of deductible VAT. The additional liquidations / corrections made by the tax administration were mostly object of contestation by administrative and / or judicial.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

12. Banco Comercial Português, S.A. filed in 2013 a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting mainly that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, cannot exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the former director cannot maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director cannot benefit from a survival lifelong pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

On 25 May 2018 the Court issued a sentence and: (i) rejected the request made by the Bank consisting in the reduction of the pensions paid and to be paid to Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survival pension of the second defendant; (iii) partially accepted the counter-claim made by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of Euros 2,124,923.97, as reimbursement of the expenses regarding the use of a car with driver and private security until 16 June 2016, and also those that, on this regard, he paid since that date or pays in the future, in the amount that comes to be settled, expenses which would be part of his retirement regime, plus default interests accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

On 12 July 2018, BCP appealed the sentence to the Tribunal da Relação de Lisboa (Appellate Court) requesting that the same be revoked and replaced by a decision accepting all the requests presented by the Bank. The Bank considers that the Court decided incorrectly in what regards evidence, namely regarding the relevant legal issues, and that the appeal has good chances of success, namely because, concerning the amounts received by the former director, the sentence upholds an original interpretation of the limit of nr. 2 of article 402 of the Companies Code (CC), going against all court decisions issued by superior courts and most of all the prior doctrine on these issues.

Regarding the expenses presented by the former director, the same are not part of the single pension established in the Retirement Regulations and that they are not allowed by article 402 of the CC. In any case, all the instalments exceeding the maximum pension limit established pursuant to nr. 2 of article 402 must also be considered forbidden by that rule.

On the other hand, accepted the counter claim presented by the Defendants regarding the reimbursement of the total amount of Euros 2,124,923.97, as reimbursement of the expenses relating to the use of a car with driver and private security incurred until June 2016; and also those that, on this regard, the defendants paid since that date or will pay in the amount to be settled when the sentence is executed. The Bank is waiting for the issue of the pertinent decision by the 2nd instance court (regarding which we are unable to make a prognosis regarding the respective date).

55. MOZAMBIQUE'S SOVEREIGN DEBT

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, it existed debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and were agreed the terms of reference for an external audit.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the bonds holders issued by the Republic of Mozambique "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement. The Ministry and the Bondholders expect that the restructuring will likely be implemented through a consent solicitation and exchange offer relating to the Bonds, which will be launched by the Ministry, likely in early 2019. It is expected that the Bond holders will be invited to exchange their existing holdings for two new instruments representing senior unsecured obligations of the Republic of Mozambique.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

As at 30 September 2018, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 300,133,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, a negative amount of Euros 154,734,000. BIM's contribution to consolidated net income for the first nine months of 2018, attributable to the shareholders of the Bank, amounts to Euros 48,182,000.

On that date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 656,328,000. These public debt securities mostly have a maturity of less than 1 year.

As at 30 September 2018, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 424,598,000 (of which Euros 342,760,000 are denominated in metical, Euros 4,806,000 denominated in USD and Euros 77,032,000 denominated in Rands) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 151,974,000 denominated in USD and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 79,074,000 (of which Euros 664,000 are denominated in metical, Euros 78,408,000 denominated in USD and Euros 2,000 denominated in Rands).

According to public information provided by IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State. The ongoing dialogue between the Government of Mozambique, IMF and creditors with the objective of finding a solution to the debt guaranteed by the State of Mozambique that had not previously been disclosed to the IMF referred to above. Nevertheless, in March 2018 the Mozambican Government presented proposals regarding this matter, a solution has not yet been approved to change the Group's current expectations reflected in the financial statements as at 30 September 2018, regarding the capacity of the Government of Mozambique and public companies to repay their debts and the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

56. 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 it 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. As at 30 September 2018, these securities are booked in Other financial assets not held for trading mandatorily at fair value through profit or loss portfolio (financial assets available for sale portfolio as at 31 December 2017, in accordance with the classification of IAS 39) 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 nine months of 2018 and 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 30 September 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 30 September 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 September 2018				
	Senior securities		Junior securities		
	Participation units * (note 23)	Participation units * (note 23)	Capital supplies (note 31)	Capital supplementary contributions (note 31)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,930	-	32,089	-	320,019
Impairment and other fair value adjustments	(48,036)	-	(32,089)	-	(80,125)
	239,894	-	-	-	239,894
Fundo Reestruturação Empresarial FCR					
Gross value	86,061	-	-	33,280	119,341
Impairment and other fair value adjustments	(6,673)	-	-	(33,280)	(39,953)
	79,388	-	-	-	79,388
FLIT-PTREL					
Gross value	262,208	-	38,154	-	300,362
Impairment and other fair value adjustments	(1,590)	-	(38,154)	-	(39,744)
	260,618	-	-	-	260,618
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment and other fair value adjustments	(203,172)	(36,292)	-	-	(239,464)
	-	-	-	-	-
Fundo Recuperação FCR					
Gross value	199,819	-	80,443	-	280,262
Impairment and other fair value adjustments	(80,580)	-	(80,443)	-	(161,023)
	119,239	-	-	-	119,239
Fundo Aquarius FCR					
Gross value	139,146	-	-	-	139,146
Impairment and other fair value adjustments	(6,017)	-	-	-	(6,017)
	133,129	-	-	-	133,129
Discovery Real Estate Fund					
Gross value	152,938	-	-	-	152,938
Impairment and other fair value adjustments	(5,900)	-	-	-	(5,900)
	147,038	-	-	-	147,038
Fundo Vega FCR					
Gross value	47,393	-	73,743	-	121,136
Impairment and other fair value adjustments	(3,772)	-	(73,743)	-	(77,515)
	43,621	-	-	-	43,621
Total Gross value	1,378,667	36,292	224,429	33,280	1,672,668
Total impairment and other fair value adjustments	(355,740)	(36,292)	(224,429)	(33,280)	(649,741)
	1,022,927	-	-	-	1,022,927

(*) As from 1 January 2018, with the entry into force of IFRS 9, the Participation Units are now recorded at fair value through profit and loss (note 23).

The book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 30 September 2018, corresponds to the NAV at that date, with the exception of the Discovery Real Estate Fund, Vallis and Vega , which reports on 31 December 2017 and FLIT-PTREL reporting to 31 March 2018. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available with reference to 31 December 2017 (except for Vallis Fund which is 30 September 2017) do not present any reservations; (ii) the funds are subject to supervision by the competent authorities.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

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			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
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

57. 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 (1 January 2018).

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. 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 1 January 2019, with early adoption allowed.

The Group applied IFRS 9 and adopted in advance the modifications made to IFRS 9 in the period beginning as at 1 January 2018. The impact of the adoption of IFRS 9 on the Group's equity attributable to shareholders of the Bank, with reference to 1 January 2018 was negative of Euros 373,451,000 (negative impact of Euros 403,562,000 Group's total equity, including non-controlling interests).

The accounting policies in force in the Group at the level of financial instruments after adoption of IFRS 9 as at 1 January 2018 are described in note 1C.

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.

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 amortised cost under IAS 39 are generally measured at amortised cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, are measured, generally, at amortised 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 amortised 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, under IFRS 9.

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 amortised 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 impact of the adoption of IFRS 9 in the Group's equity related to impairment losses on financial assets, guarantees and other commitments was negative of Euros 255,691,000.

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

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements under IAS 39.

VI. 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 1 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.

The impact of the adoption of IFRS 9 in the Group's financial statements is described below.

a) Impact of the adoption of IFRS 9 on the Group's equity

The impacts on the Group's equity arising from the implementation of IFRS 9 with reference to 1 January 2018 are as detailed below:

(Thousands of euros)

	Other equity items	Fair value changes	Reserves and retained earnings	Total equity attributable to bank's shareholders	Non-controlling interests	Total equity
Equity as at 31 December 2017 - Before IFRS 9	5,932,554	82,090	66,171	6,080,815	1,098,921	7,179,736
Impairment						
Loans and advances to credit institutions	-	-	(703)	(703)	-	(703)
Loans and advances to customers	-	-	(193,948)	(193,948)	(41,163)	(235,111)
Debt instruments	-	-	(5,163)	(5,163)	-	(5,163)
	-	-	(199,814)	(199,814)	(41,163)	(240,977)
Provisions	-	-	(14,714)	(14,714)	-	(14,714)
Changes in securities classification	-	(91,234)	90,522	(712)	4,164	3,452
Own credit risk	-	1,958	(1,958)	-	-	-
Investments in associates	-	(1,071)	(1,668)	(2,739)	-	(2,739)
	-	(90,347)	(127,632)	(217,979)	(36,999)	(254,978)
Current and deferred tax assets	-	26,150	(181,622)	(155,472)	6,888	(148,584)
Total impact	-	(64,197)	(309,254)	(373,451)	(30,111)	(403,562)
Equity as at 1 January 2018 - After IFRS 9	5,932,554	17,893	(243,083)	5,707,364	1,068,810	6,776,174

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

(b) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The impacts on the Group's balance sheet arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed as follows:

(Thousands of euros)

	IAS 39 31 Dec 2017	Reclassifications	Remeasurement	IFRS 9 1 Jan 2018
ASSETS				
Cash and deposits at Central Banks	2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand	295,532	-	-	295,532
Financial assets at amortised cost				-
Loans and advances to credit institutions	1,065,568	-	(703)	1,064,865
Loans and advances to customers	45,625,972	(263,397)	(235,111)	45,127,464
Debt instruments	2,007,520	939,889	(7,341)	2,940,068
Financial assets at fair value through profit or loss				-
Financial assets held for trading	897,734	(6,623)	-	891,111
Financial assets not held for trading				-
mandatorily at fair value through profit or loss	n.a.	1,382,151	-	1,382,151
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets at fair value through other comprehensive income	n.a.	9,831,626	5,630	9,837,256
Financial assets available for sale	11,471,847	(11,471,847)	-	-
Financial assets held to maturity	411,799	(411,799)	-	-
Hedging derivatives	234,345	-	-	234,345
Investments in associated companies	571,362	-	(2,739)	568,623
Non-current assets held for sale	2,164,567	-	-	2,164,567
Investment property	12,400	-	-	12,400
Other tangible assets	490,423	-	-	490,423
Goodwill and intangible assets	164,406	-	-	164,406
Current tax assets	25,914	-	1,047	26,961
Deferred tax assets	3,137,767	-	(149,631)	2,988,136
Other assets	1,052,024	-	-	1,052,024
TOTAL ASSETS	71,939,450	-	(388,848)	71,550,602
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,487,357	-	-	7,487,357
Resources from customers	48,285,425	-	-	48,285,425
Non subordinated debt securities issued	2,066,538	-	-	2,066,538
Subordinated debt	1,169,062	-	-	1,169,062
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	399,101	-	-	399,101
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	177,337	-	-	177,337
Provisions	324,158	-	14,714	338,872
Current tax liabilities	12,568	-	-	12,568
Deferred tax liabilities	6,030	-	-	6,030
Other liabilities	988,493	-	-	988,493
TOTAL LIABILITIES	64,759,714	-	14,714	64,774,428
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	(293)	-	-	(293)
Reserves and retained earnings	(38,130)	186,391	(373,451)	(225,190)
Net income for the period attributable to Bank's Shareholders	186,391	(186,391)	-	-
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,080,815	-	(373,451)	5,707,364
Non-controlling interests	1,098,921	-	(30,111)	1,068,810
TOTAL EQUITY	7,179,736	-	(403,562)	6,776,174
	71,939,450	-	(388,848)	71,550,602

The impacts of the implementation of IFRS 9 on the classification and measurement of financial instruments and the determination of impairment losses on financial assets are explained in more detail in the following notes.

(c) Classification and measurement of financial instruments

The table below shows the measurement category and the book value of financial assets, in accordance with IAS 39 and IFRS 9, as at 1 January 2018.

(Thousands of euros)

IAS 39			IFRS 9		
Category	Measurement	Book value	Category	Measurement	Book value
Cash and deposits at Central Banks	Amortised cost	2,167,934	Cash and deposits at Central Banks	Amortised cost	2,167,934
Loans and advances to credit institutions repayable on demand	Amortised cost	295,532	Loans and advances to credit institutions repayable on demand	Amortised cost	295,532
Loans and advances to credit institutions	Amortised cost	1,065,568	Loans and advances to credit institutions	Amortised cost	1,064,865
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	45,625,972	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	45,127,464
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	263,397
Financial assets at amortised cost - Debt instruments	Amortised cost	2,007,520	Financial assets at amortised cost - Debt instruments	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	411,799	Financial assets at amortised cost - Debt instruments	Amortised cost	415,695
Financial assets available for sale	FVOCI (available for sale)	11,471,847	Financial assets at fair value through other comprehensive income	FVOCI	9,830,633
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,118,754
			Financial assets at amortised cost - Debt instruments	Amortised cost	519,799
Financial assets held for trading	FVTPL	897,734	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	891,111
Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336	Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336
Hedging derivatives	FVTPL	234,345	Hedging derivatives	FVTPL	234,345

Notes:
FVOCI - Measured at fair value through other comprehensive income
FVTPL - Measured at fair value through profit or loss

There were no material changes regarding the measurement criteria associated with the Group's financial liabilities with impact on the transition to IFRS 9, except for changes in the fair value of financial liabilities at fair value through profit or loss that are attributable to changes in the credit risk of the instrument, which will be included in other comprehensive income as from 1 January 2018.

(d) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The following table shows the reconciliation between the book values of financial assets according to the measurement categories of IAS 39 and IFRS 9, as at 1 January 2018 (transition date).

(Thousands of euros)

		Financial assets at amortised cost (Amortised Cost)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Cash and deposits at Central Banks					
Opening balance in IAS 39 and final balance in IFRS 9		2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		295,532	-	-	295,532
Loans and advances to credit institutions					
Opening balance in IAS 39		1,065,568	-	-	1,065,568
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,065,568	-	(703)	1,064,865
Loans and advances to customers					
Opening balance in IAS 39		45,625,972	-	-	45,625,972
Transfer:					
to fair value through profit or loss (IFRS 9) - Gross Value	(G)	-	(283,463)	-	(283,463)
to fair value through profit or loss (IFRS 9) - Impairment	(G)	-	20,066	-	20,066
Remeasurement: impairment losses	(A)	-	-	(235,111)	(235,111)
Final balance in IFRS 9		45,625,972	(263,397)	(235,111)	45,127,464
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer: of available financial assets for sale (IAS 39)	(E)	-	528,090	-	528,090
Transfer: from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	411,799	-	411,799
Remeasurement: impairment losses	(A)	-	-	(5,163)	(5,163)
Remeasurement: fair value to amortised cost	(E)	-	-	(2,178)	(2,178)
Final balance in IFRS 9		2,007,520	939,889	(7,341)	2,940,068
Financial assets held to maturity					
Opening balance in IAS 39		411,799	-	-	411,799
Transfer: for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(411,799)	-	(411,799)
Final balance in IFRS 9		411,799	(411,799)	-	-
Total of financial assets at amortised cost		51,574,325	264,693	(243,155)	51,595,863

(Thousands of euros)

	Notes	Financial assets at fair value through other comprehensive income (FVOCI) IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets at fair value through other comprehensive income - debt instruments					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(F)	-	9,793,650	-	9,793,650
Transfer: of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	9,800,273	-	9,800,273
Financial assets at fair value through other comprehensive income - equity instruments					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(B)		31,353	5,630	36,983
Final balance in IFRS 9		-	31,353	5,630	36,983
		-	9,831,626	5,630	9,837,256
Financial assets available for sale					
Opening balance in IAS 39		11,471,847	-	-	11,471,847
Transfer: Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,118,754)	-	(1,118,754)
Transfer: for financial assets at amortised cost (IFRS 9)	(E)	-	(528,090)	-	(528,090)
Transfer: to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(9,793,650)	-	(9,793,650)
Transfer: to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,353)	-	(31,353)
Final balance in IFRS 9		11,471,847	(11,471,847)	-	-
Total financial assets at fair value through other comprehensive income		11,471,847	(1,640,221)	5,630	9,837,256

(Thousands of euros)

	Notes	Financial assets at fair value through profit or loss (FVTPL) IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets held for trading					
Opening balance in IAS 39		897,734	-	-	897,734
Transfer: to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		897,734	(6,623)	-	891,111
Financial assets not held for trading mandatorily at fair value through profit or loss					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(C)	-	1,118,754	-	1,118,754
Transfer: from financial assets at amortised cost - Loans to customers (IAS 39) - Gross value	(G)	-	283,463	-	283,463
Transfer: from financial assets at amortised cost - Loans to customers (IAS 39) - Impairment	(G)	-	(20,066)	-	(20,066)
Final balance in IFRS 9		-	1,382,151	-	1,382,151
Financial assets designated at fair value through profit or loss					
Opening balance in IAS 39 and final balance in IFRS 9		142,336	-	-	142,336
Hedging derivatives					
Opening balance in IAS 39 and final balance in IFRS 9		234,345	-	-	234,345
Total financial assets at fair value through profit or loss		1,274,415	1,375,528	-	2,649,943

Notes:

(A) Under the IFRS 9 criteria, additional impairments were calculated and registered in Other reserves and retained earnings, for:

- financial assets at amortised cost (Loans and advances to credit institutions);
- financial assets at amortised cost (Loans and advances to customers);
- and debt instruments at fair value through other comprehensive income.

(B) Designation of equity instruments at fair value through other comprehensive income: The Group opted for the irrevocable designation of equity instruments that are neither held for trading nor contingent retribution recognised by a buyer in a business combination to which it applies IFRS 3 as at fair value through other comprehensive income, as allowed by IFRS 9. These instruments were previously classified as "Financial assets available for sale". Changes in the fair value of these instruments will not be reclassified to profit or loss when derecognised.

(C) Classification of debt securities previously classified as "Financial assets available for sale ", which do not fall within the definition of SPPI: The portfolio of debt instruments that do not fall within the scope of SPPI definition was classified under " Financial assets not held for trading mandatorily at fair value through profit or loss " on the date of the initial application.

(D) Classification of debt securities previously classified under "Financial assets held for trading", whose business model is "held to collect and sell" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(E) Classification of debt securities previously under "Financial assets available for sale ", whose business model is "held-to-collect" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(F) Changes occurred in the categories provided for in IAS 39, without changing the measurement basis: In addition to the aforementioned, the following debt instruments were reclassified to new categories in accordance with IFRS 9, following the elimination of previous categories of IAS 39 , without changes in its measurement basis: (i) Instruments previously classified as available for sale, currently classified as financial assets at fair value through other comprehensive income; (ii) Instruments previously classified as held to maturity, currently classified as financial assets at amortised cost.

(G) The new classification and measurement model is mainly based on principles and requires the Bank to consider not only its business model for the management of financial assets but also the characteristics of the contractual cash flows of these assets (particularly if they represent solely payments of principal and interest ('SPPI')). Thus, a set of loans from customers previously classified as financial assets at amortised cost were transferred to financial assets not held for trading mandatorily at fair value through profit or loss.

The table below presents the reconciliation between the book values of impairment / provisions in balance sheet according with the measurement categories of IAS 39 and IFRS 9 as at 1 January 2018 (initial application date):

(Thousands of euros)

Measurement category	Impairment for credit IAS 39 / Provision IAS 37	Reclassifications (A)	Revaluation	Impairment loss / Provision in accordance with IFRS 9
Loans and accounts receivable (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and deposits at Central Banks	-	-	-	-
Loans and advances to credit institutions repayable on demand	-	-	-	-
Loans and advances to credit institutions	-	-	703	703
Loans and advances to customers	3,279,046	8,508	235,111	3,522,665
Debt instruments	42,886	-	5,163	48,049
Total	3,321,932	8,508	240,977	3,571,417
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt instruments	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt instruments	88,796	(83,646)	-	5,150
Commitments and financial guarantees issued	324,158	-	14,714	338,872
Total	3,734,886	(75,138)	255,691	3,915,439

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt instruments) in the negative amount of Euros 83,646,000, refers to the write-off impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

58. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS GROUP

As at 30 September 2018, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% 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	–
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	–
Sadamora - Investimentos Imobiliários, S.A.	Oeiras	11,737,399	EUR	Real-estate management	100.0	100.0	–
Monumental Residence - Investimentos Imobiliários, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.2	95.8	85.7
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, S.A.	Lisbon	44,919,000	EUR	Real-estate company	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 % economic interests	Group % effective held	Bank % direct held
Irgossai - Urbanização e Construção, S.A.	Oeiras	50,000	EUR	Construction and real estate	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	36,838,000	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 30 September 2018, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % 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	3,336,555,200	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 Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % 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	8,860,000	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	5,200,000	EUR	Real estate investment fund	50.0	50.0	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	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 30 September 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 % economic interests	Group % effective held	Bank % 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 30 September 2018, 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 % economic interests	Group % effective held	Bank % direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	92.0	61.4	–

As at 30 September 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 % economic interests	Group % effective held	Bank % direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	141,710,595	EUR	Banking	19.9	19.9	19.9
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	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, S.A.	Setúbal	744,231	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	24.8	24.7	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
Projepolska, S.A.	Cascais	9.424.643	EUR	Real-estate company	23.9	23.9	23.9
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 services	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.5
Webspectator Corporation	Delaware	950	USD	Digital advertising service	25.1	25.1	25.1

As at 30 September 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 % economic interests	Group % effective held	Bank % 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	–

59. SUBSEQUENT EVENTS

RESOLUTIONS OF THE GENERAL MEETING

On November 5, BCP concluded on that day, with 62.1% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:
- i) Approval of the alteration of the articles of association through the modification of number 2 of article 54 of the Bank's Articles of Association;

- ii) Approval of reformulation of the items of own capital with the special purpose of unequivocally reinforcing the future conditions for the existence of funds able of being classified by the regulators as distributable by means of the reduction of the amount of the share capital in 875,738,053.72 euros, without changing the existing number of shares (without nominal value) and without altering the net equity, with the consequent alteration of number 1 of article 4 of the articles of association. This resolution is dependent on the authorization of the regulatory authority.

ACQUISITION OF EUROBANK IN POLAND BY ITS SUBSIDIARY BANK MILLENNIUM

On November 5, BCP informed that its subsidiary Bank Millennium announced that day that it reached an agreement for the acquisition of a 99.79% stake in Euro Bank S.A. from Societe Generale Financial Services Holding, a subsidiary of Société Générale S.A., for an estimated total consideration of 1,833 million zlotys (EUR 428 million), implying a 1.20x P/BV (final purchase price subject to customary NAV adjustment at closing), to be paid in cash and fully financed from internal sources of Bank Millennium. The transaction is expected to close in the second quarter of 2019, subject to regulatory approvals, and is estimated to be earnings accretive for Millennium bcp on a consolidated basis from 2020, already including integration costs, with an approximate impact of -40 basis points on its CET1 ratio and of -30 basis points on its total capital ratio expected on the date of transaction.

SKOK PIAST TAKEOVER

On the basis of decision of the Polish Financial Supervision Authority on 17 October 2018 Bank Millennium will take over management of the assets of Spółdzielcza Kasa Oszczędnościowo-Kredytowa Piast (SKOK Piast) (Cooperative Credit Union SKOK Piast). The acquisition will take place on 1 November 2018.

Bank Millennium is a consecutive bank to join the SKOK turnaround process supported by the Polish Financial Supervision Authority and the Bank Guarantee Fund. Acquisition of SKOK Piast fits well within efforts to ensure stability of the national financial system and to ensure safety for all clients of financial institutions in Poland.

Report and Accounts for the nine months period ended 30 September 2018

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Banco Comercial Português, S.A.,
Company open to public investment

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