Annual Report

'18

Millennium
bcp

Annual Report '18

Pursuant to article 8 of the Regulation 5/2008 of the CMVM, please find herein the transcription of the

2018 Annual Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number
501 525 882

The 2018 Annual Report is a translation of the "Relatório e Contas de 2018" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

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

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

Millennium bcp

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

In 2018 the performance of the economies where Millennium bcp operates remained positive, despite the backdrop of greater uncertainty as to the global economic trend. In Portugal, as well as in Poland, growth continued above the European average. Mozambique and Angola proceeded with the process of implementing key reforms with the aim of increasing the diversification and strength of their economies.

In Portugal, 2018 was another important step in the consolidation of the recovery of activity, with GDP rising 2.1%, powered by consumption and fixed capital investment, in a context of high levels of consumer and business confidence. The unemployment rate, meanwhile, fell in 2018 to a level not seen since 2005 (7.0%).

The year was also marked by the payment, ahead of schedule, of Portugal's loan from the International Monetary Fund (IMF), which reflected significant progress toward the goal of sustainable public finances, an effort which has been recognized by the main ratings agencies.

For Millennium bcp, this was a year that confirmed the turnaround that followed the early repayment of state aid in 2017, which allowed a return to management autonomy for the bank, and also a year that saw an impressive improvement of profitability at the bank. The net result from the activity in Portugal nearly tripled, while the contribution from international operations rose 28%, to deliver consolidated net profits for the bank of 301.1 million euros, a rise of 61.5% compared with 2017.

In terms of business, more dynamic commercial activity produced a rise in performing loans of 2.2 billion euros and a rise in total customer funds by 3.7 billion euros, alongside a significant increase in the customer base, which grew by 351,000.

Millennium bcp continues to be one of the most efficient banks in Portugal as well as in the Euro zone, with a cost-to-core income ratio of 49%, while registering a persistent improvement of the quality of the balance sheet, with a reduction of non-performing exposures (NPEs) by 2.1 billion euros accompanied by strengthening of the respective coverage. Coverage for NPEs by impairment was boosted to 52% while total coverage reached 109%.

In 2018, Millennium bcp confirmed the strength of its capital position, remaining above the regulatory requirements determined by the Supervisory Review and Evaluation Process (SREP) exercise, at both the CET1 level as well as for total capital. In January of 2019 the bank issued financial instruments that qualify as Additional Tier 1 (AT1), increasing the total capital ratio to 14.5%.

During 2018 the new corporate boards elected by the Annual General Meeting of Shareholders for the years 2018-2021 began their mandate, and their composition and responsibilities strengthen the bank's corporate governance model as well as preparing it for the challenges of a sector undergoing a profound transformation as it adapts to the changes in consumer behavior and customer interaction.

In this context, 2018 was also marked by the presentation to the market of the bank's strategic plan for the 2018-2021 period, which initiated a new growth cycle for the bank that will reposition Millennium bcp at the vanguard of innovation, customer service excellence and value creation, reaffirming the bank as close to its Customers, and a key factor in supporting the economies in the various geographies where it is present.

This "Mobilizing Millennium" plan is being developed around five central priorities: 1) Mobilizing people so that we follow the course of change implicit in the plan, calling upon and developing the talent needed to realize our ambition of dynamic agility, growth and innovation; 2) Reinforcing the relationship-based business model in a context of increasing digitalization focused on mobility, with mobile devices the favored means of strengthening interaction with our customers; 3) Capturing growth opportunities, benefitting from our privileged position in Portugal; 4) Generating more relationships and greater value from the international business portfolio, benefitting from the growth potential in markets where the bank operates and has competitive advantages; e 5) Developing the retail and commercial banking activities profitably and sustainably, with a governance model that is robust and transparent.

In this framework of evolution and innovation we must also highlight the importance we give to the value of reputation, which is also a central concern of our regulators and of the communities we serve, and which we are obliged to actively and unwaveringly defend as one of the essential vectors of the bank's affirmation in the new competitive context.

In 2018, Bank Millennium reached an agreement in Poland to acquire 99.79% of Eurobank, an operation that is highly complementary with Bank Millennium. After we obtain the necessary regulatory authorization, this acquisition will allow us to strengthen our position in Poland, realizing the bank's growth ambition.

Another highlight in 2018 was the result of the EBA and ECB stress tests, in which Millennium bcp obtained a good result, above the average of the 48 largest European banks tested by the EBA.

Standard & Poors, Moody's and Fitch ratings agencies recognized the progress made by Millennium bcp, and upgraded their respective risk ratings for the bank.

All told, 2018 was a very positive year, with results aligned with the growth and profitability ambition set out in the strategic plan, and these results have deserved broad external recognition, from customers, analysts and the ratings agencies.

We expect 2019 to be another demanding year, with many challenges that we approach with optimism and confidence, certain of the merits of the work done so far and the capacity to deliver shown by the bank's employees, competent professional who are determined to serve our customers and contribute to the sucess of Millennium bcp.

We would like to conclude by thanking all of our Customers, Employees, Shareholders and other Stakeholders for their trust and confidence in us.

Miguel Maya
Chief Executive Officer
Vice-Chairman of the Board of Directors

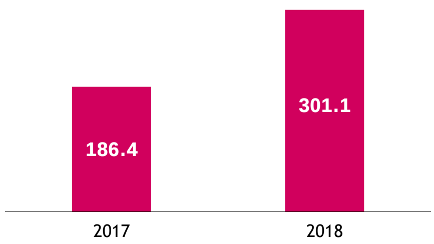
Nuno Amado
Chairman of the Board of Directors

Information on the BCP Group

BCP in 2018

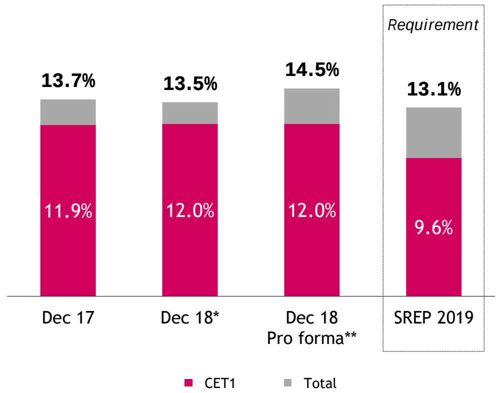
Improved profitability

(Consolidated net earnings, million euros)



Strengthened capital

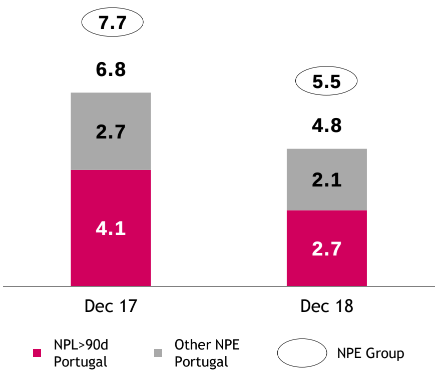
(Fully implemented capital ratios)



*Including non-audited earnings for 2018.
**Including non-audited earnings for 2018 and AT1 issued in January 31, 2019 (€400 million).

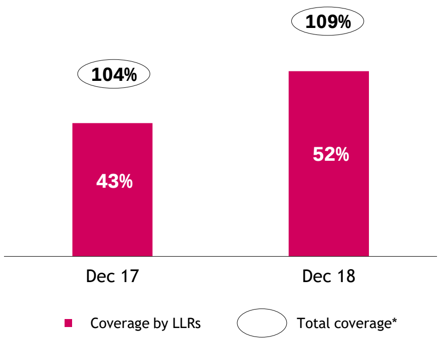
Improved asset quality

(Non-performing exposures, billion euros)



Increased NPE coverage

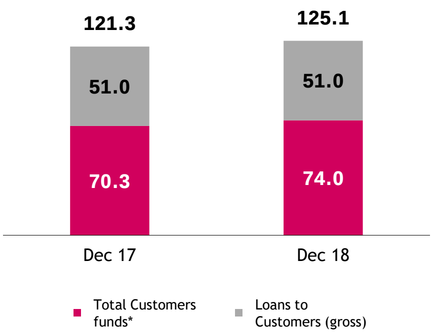
(As a % of non-performing exposures)



*By loan-loss reserves, expected loss gap and collaterals.

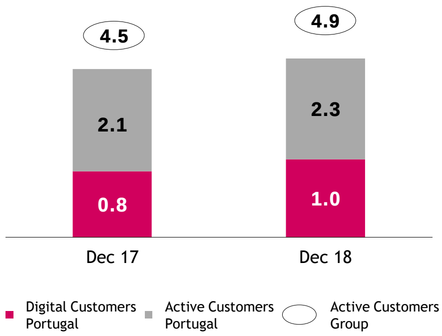
Increasing business volumes

(Consolidated, billion euros)



Growing Customer base

(Million Customers)



*Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).
** Clients categorized under the Strategic Plan 2018/21.

Main Indicators(1)

Euro million

	2018	2017	2016	2015 (2)	2014	Chan. % 18/17
BALANCE SHEET						
Total assets	75,923	71,939	71,265	74,885	76,361	5.5%
Loans and advances to customers (net) (3)	48,123	47,633	48,018	51,022	52,729	1.0%
Total customer funds (3)(4)	74,023	70,344	65,522	67,754	66,150	5.2%
Balance sheet customer funds (3)	56,585	52,688	50,434	52,158	51,141	7.4%
Deposits and other resources from customers (3)	55,248	51,188	48,798	49,847	48,365	7.9%
Loans to customers (net) / Deposits and other resources from customers (5)	87%	93%	98%	102%	109%	
Shareholders' equity and subordinated debt	6,853	7,250	5,927	6,269	6,238	-5.5%
RESULTS						
Net interest income	1,424	1,391	1,230	1,191	1,116	2.3%
Net operating revenues	2,187	2,197	2,097	2,304	2,292	-0.5%
Operating costs	1,027	954	780	1,017	1,150	7.7%
Impairment and Provisions	601	925	1,598	978	1,316	-35.0%
Income tax						
Current	106	102	113	91	101	3.4%
Deferred	32	-72	-495	-54	-199	
Net income attributable to shareholders of the Bank	301	186	24	235	-227	
PROFITABILITY AND EFFICIENCY						
Return on average shareholders' equity (ROE)	5.2%	3.3%	0.6%	5.3%	-6.5%	
Income before tax and non-controlling interests / Average equity (5)(6)	8.1%	4.8%	-4.5%	7.3%	-5.1%	
Return on average total assets (ROA)	0.6%	0.4%	0.2%	0.5%	-0.1%	
Income before tax and non-controlling interests / Average net assets (5)(6)	0.8%	0.4%	-0.3%	0.5%	-0.3%	
Net interest margin	2.2%	2.2%	1.9%	1.8%	1.6%	
Net operating revenues / Average net assets (5)(6)	3.0%	3.0%	2.8%	3.0%	2.8%	
Cost to income (5)(6)(7)	45.6%	44.1%	46.1%	43.9%	51.7%	
Cost to income - activity in Portugal (5)(6)(7)	46.6%	44.5%	47.1%	41.1%	53.7%	
Staff costs / Net operating revenues (5)(6)(7)	25.9%	24.6%	25.9%	24.7%	28.6%	
CREDIT QUALITY						
Overdue loans (>90 days) / Loans to customers (3)	3.8%	5.8%	6.8%	7.3%	7.4%	
Total impairment / Overdue loans (>90 days) (3)	148.1%	113.2%	107.0%	86.2%	82.6%	
Non-performing exposures	5,547	7,658	9,374	10,933	11,906	
Non-performing exposures / Crédito a clientes	10.9%	15.0%	18.1%	20.1%	21.2%	
Cost of risk (net of recoveries) (8)	92 bp	122 bp	216 bp	150 bp	194 bp	
Restructured loans (3)	3,507	4,184	5,046	5,393	6,753	
Restructured loans / Loans to customers (3)	6.9%	8.2%	9.7%	9.9%	12.0%	
CAPITAL (9)						
Rácio common equity tier I phased-in (10)	12.1%	13.2%	12.4%	13.3%	11.7%	
Rácio common equity tier I fully-implemented (10)	12.0%	11.9%	9.7%	10.2%	7.8%	
Own Funds	5,688	5,932	5,257	6,207	5,827	
Risk Weighted Assets	41,883	40,171	39,160	43,315	43,515	
BCP SHARE						
Market capitalisation (ordinary shares)	3,469	4,111	843	2,887	3,561	
Adjusted basic and diluted earnings per share (euros)	0.020	0.014	0.019	0.232	-0.259	
Market values per share (euros) (11)						
High	0.3339	0.2720	0.6459	1.2388	1.8162	
Low	0.2171	0.1383	0.1791	0.5374	0.8396	
Close	0.2295	0.2720	0.1845	0.6317	0.8487	

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter, being reconciled with the accounting values.
(2) In the scope of the merger process with Banco Privado Atlântico, Banco Millennium Angola was accounted as discontinued operation in the first quarter of 2016, with effect on the same item in the exercises of 2016 and 2015, given that the information as at 31 December 2015 was restated in the consolidated financial statements of BCP. After the merger, the shareholding in Banco Millennium Atlântico, the entity resulting from the merger, was recorded as associate and the respective earnings were accounted using the equity method.
(3) Adjusted from operations accounted as discontinued operations: Millennium bcp Gestão de Activos (2014) and Banco Millennium in Angola (2015 to 2014).

(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 31 December 2017, 31 December 2016, 31 December 2015 and 31 December 2014, is presented according to the new criteria.

(5) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 December 2018. Following the repeal in 2018 of the Instruction No. 22/2011 from the Bank of Portugal, which defined the criteria for calculating the amount of credit, the ratio "Loans to customers (net) / Deposits and other resources from customers", is now calculated in accordance with the management criteria used by the Group, and the historical figures have been restated accordingly.

(6) Given the booking of Banco Millennium Angola as a discontinued operation as at 31 March 2016, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in April 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income statement.
(7) Excludes the impact of specific items. Negative impact of 29.4 million euros in 2018 (of which 26.7 million euros related to restructuring costs recognized as staff costs and 2.7 million euros associated with the ongoing digital transformation project, recognized as other administrative costs, both in the activity in Portugal) and positive impact of 14.2 million euros in 2017, related to restructuring costs and the revision of Collective Labour Agreement recorded as staff costs, in the activity in Portugal.

(8) Adjusted from discontinued operations: Banco Millennium in Angola (2015).

(9) According to the requirements of CRD IV/CRR for the phased-in period.
(10) Considers the impact of the prudential framework provided for in the rules in force following the Bank's accession to the special regime for deferred tax assets, calculated in accordance with IAS. The figures for 2018 include the acumulate net results of the year.
(11) Market value per share adjusted from the regrouping of shares, in October 2016, and the capital increase occurred in February 2017.

	Unid.	2018	2017	2016	2015	2014	Var. % 18/17
CUSTOMERS							
Total of Customers	Thousands	5,827	5,429	5,482	5,557	5,282	7.3%
Interest paid on deposits and interbak funding	Million euros	341	353	389	661	897	-3.5%
Claims registered (2)	Number	108,244	76,918	72,498	79,108	71,348	40.7%
Claims resolved	Percentage	99.3%	97.7%	93.2%	97.2%	95.1%	
ACESSIBILITIES							
Branches	Number	1,101	1,120	1,163	1,342	1,373	-1.7%
Activity in Portugal		546	578	618	671	695	-5.5%
International activity		555	542	545	671	678	2.4%
Branches opened on Saturday		122	118	112	144	140	3.4%
Branches with access conditions to people with reduced mobility		866	800	828	978	981	8.3%
Internet	Users number	1,980,905	1,665,987	1,700,114	1,541,811	1,377,480	18.9%
Call Center	Users number	429,982	353,003	261,620	273,610	301,338	21.8%
Mobile banking	Users number	2,106,289	1,520,378	1,268,804	929,401	506,976	38.5%
ATM	Number	2,952	2,950	2,965	3,115	3,112	0.1%
EMPLOYEES							
PORTUGAL EMPLOYEES	Number	7,095	7,189	7,333	7,459	7,795	-1.3%
INTERNATIONAL EMPLOYEES	Number	8,972	8,653	8,594	8,580	8,777	3.7%
LABOUR INDICATORS (3)							
Breakdown by professional category	Number						
Executive Committee		28	28	26	34	33	0.0%
Senior Management		178	150	146	171	161	18.7%
Management		1,728	1,642	1,669	1,702	1,768	5.2%
Commercial		9,446	9,424	9,453	10,406	10,648	0.2%
Technicians		3,682	3,531	3,459	3,609	3,641	4.3%
Other		1,027	1,061	1,167	1,330	1,452	-3.2%
Breakdown by age	Number						
<30		2,393	2,235	2,225	3,029	3,387	7.1%
[30-50[		9,318	9,498	9,820	10,673	10,925	-1.9%
>=50		4,350	4,103	3,875	3,550	3,391	6.0%
Average age	Years	41	41	41	38	37	0.0%
Breakdown by contract type	Number						
Permanent		14,685	14,668	14,876	15,904	16,329	0.1%
Temporary		1,376	1,168	1,044	1,035	1,073	17.8%
Trainees		339	208	0	313	301	63.0%
Employees with working hours reduction	Number	215	187	202	153	155	15.0%
Recruitment rate	Percentage	12.3%	9.7%	8.2%	7.3%	8.1%	26.8%
Internal mobility rate	Percentage	16.6%	18.5%	18.0%	16.4%	16.4%	-10.3%
Leaving rate	Percentage	11.0%	10.3%	9.1%	10.0%	11.1%	6.8%
Free association (4)	Percentage						
Employees under Collective Work Agreements		99.7%	99.6%	99.6%	99.5%	99.6%	0.1%
Union Syndicated Employees		78.6%	78.5%	78.9%	72.0%	73.2%	0.1%
Hygiene and safety at work (HSW)							
HSW visits	Number	182	159	376	194	180	14.5%
Injury rate	Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	
Death victims	Number	0	0	1	0	0	
Absenteeism rate	Percentage	4.3%	4.3%	4.2%	4.0%	3.6%	0.0%
Lowest company salary and minimum national salary	Ratio	1.3	1.3	1.1	1.9	1.7	0.0%
ENVIRONMENT (5)							
Greenhouse gas emissions (6)	tCO2eq	604.8	555	1,180	639	549	9.0%
Electricity consumption (7)	MWh	233856.7	239,279	246,948	554,307	361,968	-2.3%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	1	1	0.0%
Purchase from local suppliers	Percentage	92.2%	86.4%	91.7%	92.8%	86.5%	6.7%
DONATIONS	Million euros	2.0	1.9	1.7	2.0	2.2	8.6%

(1) Data for 2016 na 2017 does not include Angola, whose operation ceased to be fully consolidated, being classified for accounting purposes as a discontinued operation in 2016.
(2) It includes a structural change effect in the complaint handling process at Bank Millennium Poland, aiming at improving the Customer experience by optimizing the immediate treatment.
(3) Employees information (and not FTE) for: Portugal, Poland, Mozambique and Switzerland.
(4) The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal and Mozambique. Syndicate: Portugal and Mozambique.
(5) Data do not include Angola (2013 to 2017).
(6) Data do not include Moçambique since 2015.
(7) Data include eletricity from public grid. Does not include the cogeneration plant in Portugal neither energy consumption in Mozambique since 2015.

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 (now named 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 to 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 implemented 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 Angola in terms of loans to the economy, with a market share of approximately 10% in business volume.

BCP has announced in January 2017 a Euros 1.3bn 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 59% reduction in Group NPE since 2013 (from Euros 13.7 billion to Euros 5.5 billion in 2018). 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 was appointed CEO.

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 the 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, 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 four years, who may be re-elected.

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

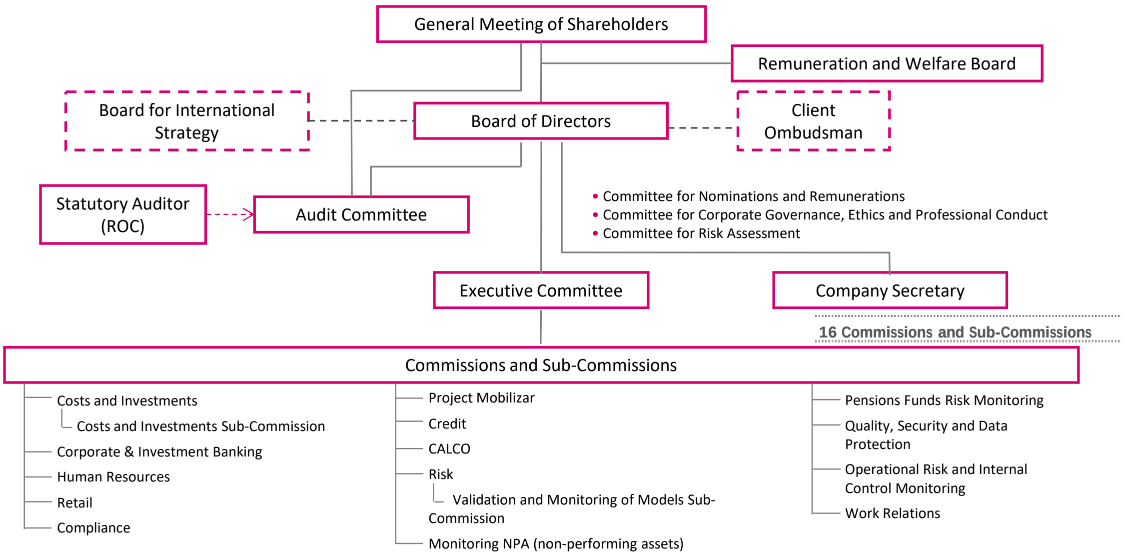
The Board of Directors appointed an Executive Committee (EC) composed of 6 of its members, to which it delegates the day-to-day management of the Bank. The Executive Committee is assisted in its management functions by several commissions and sub-commissions which oversaw the monitoring of certain relevant 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.

Coporate Governance Model



Identification and composition of the Corporate Bodies and Committees from the Board of Directors

	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)	•							
António Vitor Martins Monteiro					•			

* Members due to the functions they exercise

Main Events in 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 to the Charter of Principles of the Conselho Empresarial para o Desenvolvimento Sustentável (Entrepreneurial Council for the Sustainable Development - BCSD) Portugal, 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 was confirmed in the ETHIBEL Sustainability Index Ethibel Sustainability Index (ESI) Excellence Europe.

April

- Bank Millennium in Poland was recognized by the Widzialni Foundation for the accessibility of its website to people with special needs.

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.
- Bank Millennium in Poland was awarded for the fourth time with "POLITYKA CSR Silver Leaf 2018", a prize awarded to companies that implement Corporate Social Responsibility policies and practices in their daily activities.

June

- Signature of a Clearing and Settlement of Renminbi Business agreement with the Bank of China Macao, 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 Macao'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 participated 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.
- A long-term strategic partnership agreement was 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 was confirmed in the Sustainability Index "Ethibel Sustainability Index (ESI) Excellence Europe".

October

- Upgrade of BCP's long-term issuer credit rating to BB from BB- by S&P Global Ratings.
- Upgrade by one-notch of BCP's long-term deposit and senior unsecured debt ratings to Ba3 from B1, by Moody's.
- Millennium bim, on the World Savings Day and under its "More Mozambique for Me" Social Responsibility program, is raising awareness about savings habits for more than 15 thousand students distributed in 35 schools nationwide.
- Millennium bim concluded the 9th edition of the "Banking Olympics", a financial literacy project aimed at training the new generations of consumers of financial services in Mozambique.

November

- Conclusion on 5 November 2018, with 62.1% of the share capital represented, of 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 Euros 875,738,053.72, 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.
- New share capital of Euros 4,725,000,000 registered at the Commercial Registry Office.
- Announcement of an agreement reached by Bank Millennium 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, 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.
- Disclosure of the results of the 2018 EU-wide stress test by European Banking Authority (EBA). The EBA-led stress test was conducted in articulation with the ECB. 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).
- Millennium bcp launched an internal action to collect colored children's bandages, paint books and crayons in favor of the children supported by ACREDITAR.
- Millennium bim rehabilitated, within the scope of its "More Mozambique for Me" Social Responsibility program, another school library, this time at Gorongosa Elementary School.

December

- Upgrade of BCP's long-term issuer credit rating to BB from BB- by Fitch Ratings.
- Agreement between UnionPay International and Millennium bcp. starting Millennium bcp to issue UnionPay cards to its customers and to roll out the UnionPay QuickPass and online payment service.
- Millennium bcp participated, once again at the national level, in the biannual campaign of food collection promoted by the Food Bank.
- Millennium bcp launched an internal action to collect essential goods "Millennium

Solidário - Christmas Campaign 2018", in favor of Ajuda de Berço in Lisbon and Caritas in Porto.

- Bank Millennium Poland was included, for the eleventh consecutive time, in RESPECT Index - the first index of socially responsible companies in Central and Eastern Europe;
- Rehabilitation by Bank Millennium, as part of its Corporate Volunteering program, of another elementary school for children with special needs, this time in Gdansk.

BCP Share

2018 was a year of correction for the majority of the world stock exchanges. The Brexit and the commercial war between the USA and China were the major worries for the investors, followed by the fall in the price of raw materials and the deceleration in global activity. In Europe, this feeling was aggravated by a relaxation of the goals set forth in the State Budget for 2019 regarding the Italian deficit, which significantly impacted the European Banks, more notably the Italian and Spanish ones. Furthermore, there was also the ECB's intention to accelerate the process towards the reduction of the bank's non-performing loans.

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BCP SHARE INDICATORS

	Units	2018	2017
ADJUSTED PRICES			
Maximum price	(€)	0.3339	0.2720
Average price	(€)	0.2662	0.2162
Minimum price	(€)	0.2171	0.1383
Closing price	(€)	0.2295	0.2720
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	5,780	6,081
Shareholder's Equity attributable to ordinary shares (1)	(M€)	5,780	6,021
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.022	0.014
Book value (4)	(€)	0.382	0.398
MARKET INDICATORS			
Closing price to book value	(PBV)	0.60	0.68
Market capitalisation (closing price)	(M€)	3,469	4,111
LIQUIDITY			
Turnover	(M€)	3,259	3,946
Average daily turnover	(M€)	12.8	15.5
Volume (3)	(M)	11,976	18,412
Average daily volume (3)	(M)	47.0	72.2
Capital rotation (5)	(%)	79.2%	138.2%

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

The BCP share price decreased by 16% in 2018, compared to a 28% decrease in the STOXX® Europe 600 Banks index. The relative performance of BCP was therefore positive.

The share price appreciated:

- At the beginning of the year, based on upgrades to target prices by several equity analysts;
- Reflecting positive reactions to quarterly earnings releases throughout the year;
- Following several rating upgrades in 2018; and
- Benefitting from strong macroeconomic news in Portugal, namely related to public accounts.

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

- Return of the NPL issue during the 1H18, penalizing banks with high NPLs;
- Concerns related to the slowdown of the world economy, caused by the escalating trade war, with a negative impact on the markets during the 2H18;
- Political instability in Europe, and in particular during the 2H18, in particular the difficulty in reaching an agreement on Brexit, including of a no-confidence motion to Theresa May in England; and the standoff between the European Union and the Italian Government regarding the 2019 public deficit, with an agreement being reached at year-end, preventing the opening of an excessive deficit procedure.

PERFORMANCE

Index	Change 2018
BCP share	-15.6%
Eurostoxx 600 Banks	-28.0%
PSI20	-12.2%
IBEX 35	-15.0%
CAC 40	-11.0%
DAX XETRA	-18.3%
FTSE 100	-12.5%
MIB FTSE	-16.1%
Dow Jones Indu Average	-5.6%
Nasdaq	-1.7%
S&P500	-6.2%

Source: Euronext, Reuters, Bloomberg

Liquidity

During 2018, Euros 3,259 million in BCP shares were traded, corresponding to an average daily turnover of Euros 12.8 million. Around 11,976 million shares were traded during this period of time, corresponding to a daily average volume of 47 million shares. The capital turnover index stood at 79% of the average annual number of shares issued.

Indexes listing BCP shares

The BCP share is part of more than 50 domestic and international stock exchange indexes among which we point out the Euro Stoxx 600 Banks, the Euro Stoxx Banks, the Euronext 150, the PSI 20 and the PSI Geral.

Index	Weight
Euro Stoxx 600 Banks	0.23%
Euro Stoxx Banks	0.50%
Euronext 150	1.60%
PSI 20	11.66%
PSI Geral	6.41%

Source: Euronext, 31 December 2018

By the end of 2018, the Bank continued in the indexes/rankings "Ethibel Excellence Europe" and "Ethibel EXCELLENCE Investment Register" (analyst VigeoEiris), "Carbon Rankings" (Engaged Tracking) and "European Banks Index" (Standard Ethics). Additionally, the Bank returned to the Euro Stoxx 600 index in March 2018.

Sustainability Indexes

member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE

included in ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Europe

standard ethics

RESPECT Index

Relevant facts announced to the market and impact on the share price

The following table summarizes the relevant facts directly related with Banco Comercial Português that occurred during 2018, as well as the price variations occurred on the following day and on the 5 subsequent days and the relative evolution versus the main reference domestic and European indexes during the mentioned periods of time.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	2/Feb	Bank Millennium results in 2017	-1.8%	0.2%	-0.5%	-4.9%	-0.8%	-0.3%
2	14/Feb	2017 consolidated earnings	1.5%	0.7%	1.1%	-3.1%	-3.9%	-4.8%
3	23/abr	Information about General Meeting of Shareholders call notice	0.3%	-0.4%	0.4%	-4.4%	-3.8%	-3.5%
4	23/Apr	Calendar of events for 2018 (up-date)	0.3%	-0.4%	0.4%	-4.4%	-3.8%	-3.5%
5	24/Apr	Bank Millennium Poland results in 1Q2018	-1.1%	-0.3%	-0.1%	-4.7%	-3.4%	-3.8%
6	7/May	1Q2018 Consolidated Earnings	4.9%	4.7%	5.0%	5.7%	2.8%	4.4%
7	30/May	Resolutions of the Annual General Meeting	1.9%	1.4%	3.2%	9.1%	6.0%	9.0%
8	23/Jul	Beginning of term of office of the Board of Directors	-1.3%	-0.8%	-3.5%	-1.8%	-1.6%	-5.0%
9	26/Jul	Bank Millennium (Poland) results in 1H2018	-0.2%	-0.6%	-0.9%	-1.3%	-1.6%	-0.2%
10	26/Jul	Earnings release as at 30 June 2018	-0.2%	-0.6%	-0.9%	-1.3%	-1.6%	-0.2%
11	30/jul	Calendar of events for 2018 (up-date)	0.9%	1.1%	0.2%	-2.4%	-2.1%	-0.6%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
12	5/Sep	Acquisition of bonds by an entity closely related to its officers	-0.1%	0.5%	0.8%	-3.7%	-3.9%	-2.0%
13	14/Sep	Calendar of events for 2018 (update)	3.7%	2.9%	2.9%	6.0%	4.9%	2.0%
14	9/Oct	Upgrade of long-term credit rating by S&P Global Ratings	0.0%	2.2%	-0.1%	3.3%	5.4%	5.4%
15	16/Oct	Ratings upgrade by Moody's	0.2%	-0.1%	0.7%	-4.8%	-2.6%	-0.1%
16	25/Oct	Bank Millennium (Poland) results in 9M2018	-2.8%	-1.6%	-1.7%	7.4%	6.9%	4.5%
17	5/Nov	Acquisition of eurobank in Poland by its subsidiary Bank Millennium	0.5%	0.7%	1.0%	4.2%	4.1%	5.1%
18	5/Nov	Information about the resolutions of the General Meeting	0.5%	0.7%	1.0%	4.2%	4.1%	5.1%
19	5/Nov	Information about Stress Test results	0.5%	0.7%	1.0%	4.2%	4.1%	5.1%
20	8/Nov	Millennium bcp earnings release as at 30 September 2018	3.7%	3.7%	4.8%	1.0%	3.0%	4.1%
21	27/Nov	Registry of the share capital reduction	1.7%	1.0%	1.8%	2.7%	0.6%	4.1%
22	3/Dec	Information about a member of Corporate Bodies	-2.9%	-1.9%	-1.2%	-5.6%	-1.6%	2.9%
23	6/Dec	Upgrade of long-term credit rating by Fitch Ratings	-1.4%	-1.8%	-1.8%	1.4%	1.2%	0.1%
24	20/Dec	Calendar of events for 2019	-2.2%	-1.7%	-2.1%	-5.3%	-3.4%	-2.9%

The performance of the BCP share during the period under reference is shown in the following chart:

BCP SHARE PERFORMANCE IN 2018

Adjusted share price (€)

Dividend policy

The dividend policy of BCP Group is based primarily on the retention of own funds that are consistent with its Risk Appetite Statement (RAS), its internal capital needs assessment (ICAAP) and the existence of a buffer on the amounts required by the regulator in its Bank' risk assessment (SREP).

Due to the strategic objectives presented and the corresponding evolution in terms of capital needs, there is an aspirational objective of having a payout ratio of 40%, from 2011 onwards, but the final decision is always the result of the aforementioned policy.

Regarding the 2018 earnings, the Executive Committee proposed the Board of Directors to approve a proposal for a dividend distribution corresponding to a 10% pay-out, to be submitted to the Annual General Meeting.

Follow-up with Investors

The Bank participated in various events during 2018, having attended 4 conferences and 6 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings and group meetings with investors. Approximately 300 meetings were held with analysts and institutional investors, which demonstrates significant interest in relation to the Bank.

Own shares

As at 31 December 2018, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2017: 323,738 shares) owned by Customers. Since for some of these Customers there is evidence of impairment, the shares of the Bank owned by these Customers were considered as treasury shares, and, in accordance with accounting policies, deducted to 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 31 December 2018, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2017: 142,601,002 shares) in the amount of Euros 32,727,000 (31 December 2017: Euros 38,531,000), as referred in note 52.

Shareholders structure

According to Interbolsa, on 31 December 2018, the number of Shareholders of Banco Comercial Português was of 159,670.

At the end of December 2018 there were four Shareholders with a qualifying shareholding, two of which with a stake above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,781	0.24%
Other	152,170	22.67%
COMPANIES		
Institutional	323	22.79%
Qualified Shareholders	4	52.22%
Other companies	4,392	2.07%
TOTAL	159,670	100%

Shareholders with more than 5 million shares represented 75% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	125	75.55%
500,000 to 4,999,999	1,042	7.88%
50,000 to 499,999	12,940	11.07%
5,000 to 49,999	41,793	4.88%
< 5,000	103,770	0.62%
TOTAL	159,670	100%

During 2018, the Bank's shareholding structure remained stable in terms of geographical distribution. On 31 December 2018, Shareholders in Portugal held 30.6% of the total number of shares of the Bank.

	Nr. of Shares (%)
Portugal	30.6%
China	27.3%
Africa	19.7%
UK / USA	10.8%
Other	11.6%
Total	100%

Qualified Holdings

On 31 December 2018, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

			31 December 2018
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	**4,118,502,618**	**27.25%**	**27.25%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	**512,328,512**	3.39%	3.39%
TOTAL FOR BLACKROCK***	**512,328,512**	**3.39%**	**3.39%**
EDP Group Pensions Fund **	315,336,362	2.09%	2.09%
TOTAL FOR EDP GROUP	**315,336,362**	**2.09%**	**2.09%**
TOTAL OF QUALIFIED SHAREHOLDERS	7,892,521,406	52.22%	52.22%

* 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.

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

Regulatory, economic and financial system environment

Regulatory environment

The regulatory agenda in 2018 was essentially characterized, at an international level, by the discussion of the European Commission's risk reduction package (capital requirements and banking resolution framework), preparation for Brexit and adoption of compatible procedures with the Payment Services Directive (PSD2) requirements and, at a national level, by the adoption of regulation regarding conduct and macro prudential supervision, focused on the Bank of Portugal's recommendation regarding individual loans (limits to indebtedness – loans-to-value ratio, effort rate, etc).

The path to an enhanced integration towards an European capital market, implementation of the Banking Union's third pillar (European Deposit Insurance Scheme and financial support to the Single Resolution Fund) and the adoption of Euribor's calculation method and/or the development of alternative reference rates by, in particular, the ECB (e.g. €STR and Euro Risk Free Rates) in compliance with the Benchmark Regulation.

EBA/ECB's stress tests - relevant in the supervisor's assessment of the Bank with direct impact on capital requirements - also took place in 2018, as well as the continuation of assessment of internal models of the banks directly supervised by the ECB.

On 23 November 2016, the European Commission presented a comprehensive package of risk reduction proposals aimed at the banking sector, comprising measures relating to capital requirements and bank recovery and resolution measures (Bank Recovery and Resolution Directive, BRRD). Following the political support given to this issue by the end of 2018, the approval and publication of final texts is expected by the end of 2019.

Under the action plan and policies for reducing the volume of non-performing loans (NPLs), the European Commission submitted a proposal to amend the CRR, which includes minimum loss coverage for NPAs – text has already been approved awaiting publication - as well as a proposal for a directive to promote the recovery of collaterals through out-of-court procedures. Similarly, EBA has published its final Guidelines on management of non-performing and forborne exposures, also defining new reporting requirements.

The finalization of the Basel III amendments by the Basel Committee in December 2017 means that the implementation of these reforms into European legislation is nearer. The proposed amendments have the purpose of enhancing the quality of banks' capital and reducing the variability of risk-weighted assets. In the Basel Committee's proposal, the implementation will be progressive, from 2022, with a transitional period of five years.

Throughout the year, new regulatory proposals – to be further developed in the years ahead - also came forward:

- Risk reduction proposal allowing for the issuance of securities backed by sovereign bonds, with the same regulatory treatment as sovereign bonds issued in Euros by state members
- Proposals to ensure a better access to capital markets funding to SME's
- 'Sustainable finance' package, aimed at creating incentives and raising awareness towards an environmentally sustainable financial offer

Markets in Financial Instruments Directive (MiFID II/RMIF) was transposed to a national law (Law no 35/2018), governing the offer of financial products and services and for information to be provided to the Client. The delegated regulation on the packaged retail investment and insurance products (PRIIP) entered into force at the beginning of 2018 aimed at protecting consumers and at establishing a common regulation for the key information document to be provided to Customers.

A draft law amending the corporate income tax code in relation to impairments of credit institutions and other financial institutions was approved. This amendment aims at reducing the divergences between the accounting and fiscal systems.

Other relevant issues on the regulatory agenda relating to the Portuguese financial system that took place in 2018:

- Bank of Portugal, as the national macroprudential authority, issued a recommendation that applies to consumer contracts in new loans;
- Legal Framework of Payment Services and Electronic Money (DL no. 91/2018), transposing the Payment Services Directive (PSD2) into national law;
- Legal Framework of Conversion of Credit into Capital (Law no. 7/2018) and Extrajudicial Companies Recovery Regime which aims at

promoting effective recovery and restructuring of companies;

- At the macroprudential level, the percentage of countercyclical reserve applicable to credit exposures to the domestic non-financial private sector remained unchanged at 0% of the total amount of the positions at risk;
- Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing was published;
- The General Data Protection Regulation (EU Regulation no. 679/2016) was applied from 25 May 2018 onwards and is being discussed in the national parliament;
- Decree-law no. 107/2018 establishes the rules related to changes in payments accounts, commission comparison, as well as the access to payment accounts with basic characteristics;
- Law no. 23/2019 that governs the position of the unsecured debt instruments in the insolvency hierarchy providing greater legal certainty to the issuance of non-preferred debt conferring a preferential claim to all deposits vis-à-vis senior debt.

These changes represent a demanding framework in terms of (i) binding requirements, (ii) implementing and revising procedures, (iii) risk management (existing and new), (iv) supervisory and stakeholder reporting and disclosure, (v) security of operations and (vi) adequacy of products and services regarding potential impacts on the business. Therefore, the Bank has implemented or has in place several strategic projects aiming at the proper compliance with the regulations and equipping the Bank with the necessary capacities and agility to face the challenges posed by the constant evolution of the regulatory framework.

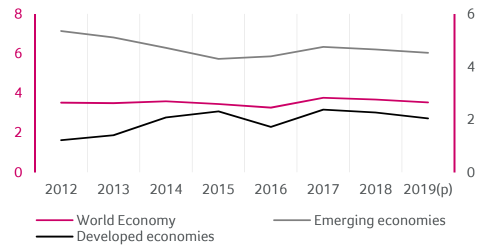
Economic environment

World's economic environment

In accordance with the International Monetary Fund (IMF) in 2018, the world economy expanded 3.7%, representing a slight deceleration versus 2017 mainly due to diverging performances by the main economies, that is, deceleration of the economies in the euro area, Japan and China, versus the acceleration in the USA and the positive performance by some emerging markets, namely India, Brazil and Russia.

In 2019, the expansion of the global activity should continue at a more moderate pace within a context of dissipation of the effects of the fiscal stimuli in the USA, normalization of the monetary policy in the euro area and maintenance of gradual deceleration prospects in China.

GLOBAL ECONOMIC GROWTH DESACCELERATED IN 2018
Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan 2019)

Global Financial Markets

The most noteworthy sign of the performance of the financial markets in 2018 was the increase in volatility, associated with the reappearance of some uncertainty regarding the resilience of the expansionary cycle of the world economy within a context marked by the tightening of the monetary conditions at global scale and by the aggravation of the international geopolitical tensions.

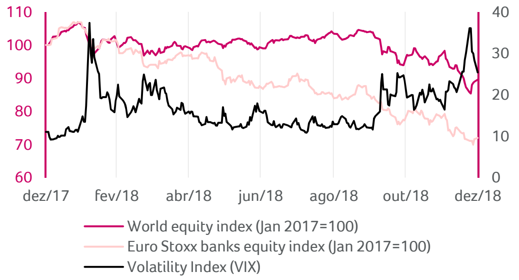
In stock markets, the slowdown recorded in China's economic pace and the consequent negative impact in the economies that export raw-materials and capital goods, contributed for the depreciation of the indexes from emerging markets and also from Europe. In USA, the strong economic growth caused by the substantial stimulus of the budget policy in effect, helped to boost the US appreciation in terms of stock exchange for historical maximums in the third quarter, a trajectory that rapidly turned back by the end of the year due to the fears that the deterioration in the world economy and the rise in interest rates would determine a faltering economy.

In terms of foreign exchange, the gain in momentum of the economic activity and of wages in the USA motivated the intensification of the cycle of growth in interest rates by the Federal reserve which determined the appreciation of the USD versus the majority of the currencies, in particular those of the emerging markets.

The normalization of the US monetary policy was also determinant for the increase in the yields of the USA public debt securities in the longest terms. In contrast, in the euro area the ECB maintained interest rates unchanged throughout the year and ended its program for the purchase of private and public debt by the end of December; therefore the Euribor three-month interest rates stood at approximately -0.30%, similar to what happened in 2017. In this context, the yields on German public debt securities and those from the euro area periphery remained low, with the exception of Italy, wherein the political instability motivated an increase in risk premiums of treasury bonds.

In the segment of raw-materials, the relative stability of the value of gold contrasted with the significant variations recorded by crude oil.

THE WORLD EQUITY INDEX DEVALUATED AND THE VOLATILITY INCREASED



Source: Datastream

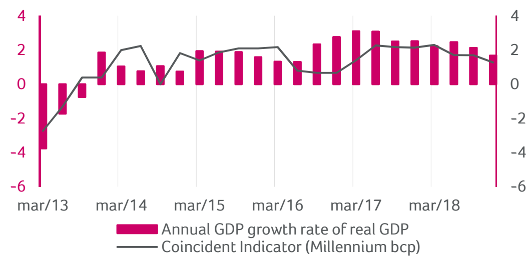
Outlook for the Portuguese economy

The growth pace of the Portuguese economy continued strong (2.1%), an evolution that translates, however, a deceleration versus 2.8% recorded in 2017, which comes mainly from the worsening of the negative contribution of net external demand since imports continued to exceed imports due to the dynamic internal demand, concerning investment.

In 2019, the EC prospects are that the GDP growth rate will slowdown to levels under 2.0%, since the low employment offer and the low levels of savings will probably cause an increasing restraint in private consumption.

Regarding public finance, the governmental deficit in 2018 will probably stay under 1.0% of the GDP, contributing to improve the perception of the investors and of the main rating agencies regarding the sustainability of the domestic public accounts and, consequently, for the permanence of yields of the public debt securities in relatively low levels.

PORTUGUESE ECONOMY SLOWDOWN IN 2018



Source:Datastream and Millennium bcp

International Operations

In 2018, the Polish economy recorded the highest growth rate since 2007 (5.1%), triggered by the expansion of private consumption due to employment growth, together with the increase of investment, supported by the structural funds of the European Union. The contribution given by external demand for the growth of the GDP should have been marginally positive with the increase in imports being compensated by the increase in exports. In 2019, the EC foresees that the economic activity will continue robust but slower (around 4.0%), translating lesser consumption while investment should remain robust. In 2018, the zloty inverted the appreciation trend observed in 2017, penalized by the greater instability in the international financial markets.

In Mozambique, the reduction of the inflation rate, together with the moderate growth of the activity, favoured the enhancement of the downward cycle of interest rates initiated in 2017, with the reference interest rate MIMO decreasing from 19.50% to 14.25% during 2018. In 2019, the IMF forecasts indicate that the inflation rate should continue low and that the growth pace of the GDP should reflect a slight acceleration for levels closer to 4.0%, benefiting from the development of natural gas projects. Notwithstanding, this forecast is subject to external and internal risks, namely the need to reduce the high public debt of the Mozambican Government. The metical, although showing an erratic performance during 2018, in average terms, remained almost unaltered versus 2017.

In Angola, the Government entered into a financing program with the IMF to fund structural reforms to correct the imbalances that are conditioning the performance of the economic activity in the last years, as well as to provide the productive structure with a higher diversification. Amongst the measures placed into motion in 2018, we may point out those regarding the transition into a flexible foreign exchange rates regime which determined a depreciation of the kwanza versus the euro of around 60% in the year. In 2019, the IMF expects the Angolan economy to resume growth.

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2016	2017	2018	2019	2020
EUROPEAN UNION	2.0	2.7	1.9	2.0	1.8
Portugal	1.6	2.8	2.1	1.8	1.5
Poland	3.1	4.8	5.1	3.5	3.0
SUB-SAHARAN AFRICA	1.4	2.9	2.9	3.5	3.6
Angola	-2.6	-2.5	-0.1	3.1	3.2
Mozambique	3.8	3.7	3.5	4.0	4.0

Source: IMF and national statistics institutes

IMF estimate (March 2019)

Financial system environment

In 2018, a further step was taken in the process of improving the levels of profitability, asset quality and risk indicators of the Portuguese banking system. The profitability of the banking sector, excluding Novo Banco, maintained the recovery trend evidenced in recent years, based on improved operating efficiency and lower provisioning. The year of 2018 was marked by the great effort made in the reduction of non-performing exposures (NPEs) in banks' balance sheets, namely through the sale of credit and real estate portfolios, allowing to accomplish and in some cases outperform the NPEs reduction plans disclosed by some banks. It is also worth mentioning the strengthening of the coverage levels that are now above the averages of the European Union and several European countries (e.g. Germany, Spain or France). As in previous years, the evolution and performance of the banking system in 2018 was also affected by the implementation and revision of regulation and legislation (e.g. IFRS 9 adoption on January 1st, 2018), and by the practice of more demanding and costlier supervision (e.g. contributions to the Banking Sector and to the National and European Resolution Funds).

The liquidity position in the Portuguese banking system remained at comfortable levels, with most banks registering loan-to-deposits ratios below 100% at the end of 2018. Capital ratios improved in 2018 on the back of organic capital generation and the issuance of equity-eligible debt instruments, in order to comply with MREL requirements in the short/medium term. Novo Banco, however, continues to rely on the National Resolution Fund, through the Contingent Capital Agreement, to top-up its capital ratios in order to comply with the minimum regulatory requirements of the Supervisor. Novo Banco’s ongoing restructuring plan initiated by the new shareholder following the closing of the sale process, associated with the potential reactivation of the Contingent Capital Agreement, established in the sale agreements of the controlling shareholder position, together with eventual further financial needs arising from Banco Espírito Santo and BANIF resolutions, continue, as in 2017, to pose risks to the Portuguese banking system.

The traditional banking business model will have to change to face the challenges and opportunities arising from the ‘Digital Economy’ and financial system digitalization, as well as the need to adapt to both the new regulatory and the new competition environment (resulting from the adoption of the new Payment Services Directive 2 “PSD2”), leading banks to reassess business models and to the entry of new players, including non-banks (fintech/bigtech), with new and different forms of structuring, processing and distributing financial products and services. Mitigation of compliance risks, such as money laundering and the financing of illicit activities (e.g. terrorism), and cybersecurity, require enhanced investment in appropriate operating risk assessment and control policies, as well as in security and IT, in order to allow the Portuguese banking system to safely take advantage of the improvements accomplished in recent years, both in terms of profitability and risk indicators, as well as liquidity and capital.

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 on business volumes, 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.

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 and 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 and 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 presence as a platform for growth

At the end of 2018, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 December 2018, operations in Portugal accounted for 71% of total assets, 73% of total loans to Customers (gross) and 72% of total customer funds. The Bank had over 2.3 million active Customers in Portugal and market shares of 17.4% and 17.7% of loans to Customers and customer deposits, respectively in December 2018.

At the end of December 2018, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 4.9 million Customers.

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 22.7% of loans and advances to Customers and 26.5% of deposits, on 31 December 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, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 31 December 2018, Bank Millennium had a market share of 4.6% in loans to Customers and of 5.3% in deposits.

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 a rigorous research and on a profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

The Group is also operating in the 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.

Internet & Mobile

In 2018, the Bank continued to increase its Active Digital Customers base. It should be highlighted the 39% growth in the number of App users, of which 23% already exclusively use this channel.

Digital Penetration in new Customers continues to increase, i.e. 54% of the new Customers in 2018 are digital.

Innovation continued to mark the year of 2018, with the launching of new tools in the digital channels of Millennium bcp:

Mobile-Individuals

- 100% digital account opening on the Millennium App.

Individuals website

- Login to the website with Mobile Digital key, a simple and safe way of authentication;
- Automated access to Integrated Solutions.

Companies Mobile

- Multiple authorizations, a tool that enables authorising several operations simultaneously, previously uploaded to the website;
- Login to the M Corporate App with fingerprint or Face ID (for compatible equipment);
- Visualisation of the proof of transaction with possibility of remittance to the e-mail address.

Corporate Website

- Online contracting of Factoring and Confirming, request, approval and contracting of operations.

Digital Sales

In 2018, the number of digital sales continued to grow and recorded a positive year-on-year variation in all products traded online, notably the sale of Certificates, (72% of total) in the investment area and of Term Deposits (30% of total), and, in Credit, the Online Personal Loan (15% of total).

In the trading on-line business, it is noteworthy that Millennium bcp was the Bank that placed the highest number of orders in the market (a 20.3% share).

In order to guarantee the sustained growth of Online Personal Loans, the entire experience is being re-designed and optimized through CRM (Customer relationship management) and Digital Marketing, and the sale of this product, through the App, already represent 31% of the total of digital.

The Bank is enhancing its focus on the expansion of digital sales, supported by simpler processes, designed to respond to the needs of the Customers and by a more exhaustive CRM.

A Customer-oriented relationship model

The communication of Millennium bcp in 2018 was featured by a number of actions and strategic campaigns to strengthen the Bank's position as digitally innovative, increasingly simple, agile and close to its Customers.

The launching of the institutional campaign, at the beginning of the year, under the motto "Num Millennium à frente" worked as a facilitator of a more modern discourse and appropriate to the Millennium of the future - a Millennium offering differentiating solutions which are really client-oriented. We need to point out the campaign on new tools of the Millennium App launched in the last quarter of 2018.

Client-orientation was also a paramount vector in the Bank's communication activity aiming at the relational strategy that it intends to consolidate, either through sponsorships and partnerships of relevance or proximity events such as the Millennium Estoril Open; the Festival ao Largo; the summer festivals for Residents Abroad, the project Online Dance Company powered by Millennium; the Award Millennium Horizontes for Companies and also the organization of internal initiatives such as the Staff Meeting and the new Proximity Events "Conquistar 2018".

The recognition of the Bank's commercial and communication activity is visible not only in the Brand's notoriety indicators but also in the awards transversally received by all segments:

- Consumer Choice in the category of Large Banks;
- Best Bank for Companies, notably in Innovation, Proximity and Efficiency (DataE – Barómetro Financeiro 2018);
- Leadership in micro-companies (1 to 4 Employees) and in Companies with 5 to 9 workers in the sectors of Commerce, Services and Industry and in Exporting Companies. In Client Satisfaction, Millennium bcp reached 1st place for the first time in the last 5 years, leading also in satisfaction with the Net Banking service.
- BCP was also the Bank with the highest number of distinctions in PME Líder 2018.
- Best Investment Bank (Euromoney) and the Best Private Banking in Portugal (The Banker).

Sustainability of the business model

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 implemented successfully 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. The Bank implemented a restructuring program based on a reduction of operating costs by more than 40% in Portugal since 2011 and a 59% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 5.5 billion in 2018).

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 banking services market. One of the Bank's top priorities continues to be to improve the quality of its credit portfolio, reduce the stock of NPE (to 60% until 2021) and, simultaneously, decrease the cost of risk.

Main awards received

- Millennium bcp was distinguished in the Euronext Lisbon Awards 2018, having won in the categories "Best Capital Market Promotion Initiative", with the stock exchange trading platform - MTrader -, and "Most Active Trading House in Warrants & Certificates", attributed to the member of the Euronext Lisbon with the highest number of trades in Warrants and Certificates in 2017;
- Millennium bcp was elected as the "Best Foreign Exchange Bank" in Portugal, by the financial magazine Global Finance;
- Millennium bcp was distinguished with three awards in "Best Digital Bank Awards" of the magazine Global Finance: "Best Consumer Digital Bank" in Portugal, "Best Online Deposit", "Credit and Investment Product Offerings" and "Best Information Security and Fraud Management" in Western Europe;
- Millennium bcp was elected, for the second time, as "Best Private Banking" in Portugal by The Banker, a publication of the Financial Times specialized in financial services;
- Election of the Millennium investment banking as "Best Investment Bank" in Portugal, by the magazine Euromoney;
- ActivoBank distinguished in the category Best App/Website of Financial Services by the ACEPI Navegantes XXI Awards.
- Bank Millennium was one of the winners of the 6th edition of the annual competition "The

Innovators", organized by the financial magazine Global Finance;

- Bank Millennium was distinguished in the Newsweek's Friendly Bank 2018 ranking, receiving awards in all categories: 1st place in Mobile Banking, 2nd place in "Bank for Mr. Kowalski " and 3rd in Internet Banking and Mortgage Banking;
- Millennium bim was distinguished as the "Best Bank in Mozambique 2018" for the 9th consecutive year by the financial magazine Global Finance;
- Millennium bim was elected the "Best Bank in Mozambique", in the area of trade finance providers, in 2017, by the financial magazine Global Finance;
- Attribution for the fifth consecutive time, of the award "Best Bank operating in Mozambique " to Millennium bim, distinguishing this institution for its performance in the domestic banking sector by the magazine Euromoney;
- Distinction of Millennium bim for its performance in the Mozambican banking sector, this time as "Best Digital Bank in Mozambique 2018", by the magazine Global Finance.

Millennium network

Canada

Commercial protocols

USA

Commercial protocols

Venezuela

1 Representative office

Brazil

2 Representative offices

BRANCHES

BRANCHES OPENED ON SATURDAY

BRANCHES WITH DIFFERENTIATED SCHEDULE

BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

REPRESENTATIVE OFFICES

COMMERCIAL PROTOCOLS

* Includes branches of different networks that share the same physical space.

Portugal
546 Branches
112* 462

Spain
Commercial protocols

France
Commercial protocols

United Kingdom
1 Representative office

Germany
1 Representative office

Luxembourg
Commercial protocols

Switzerland
1 Branch
1

3 Representative offices

Poland
361 Branches
56 58 251

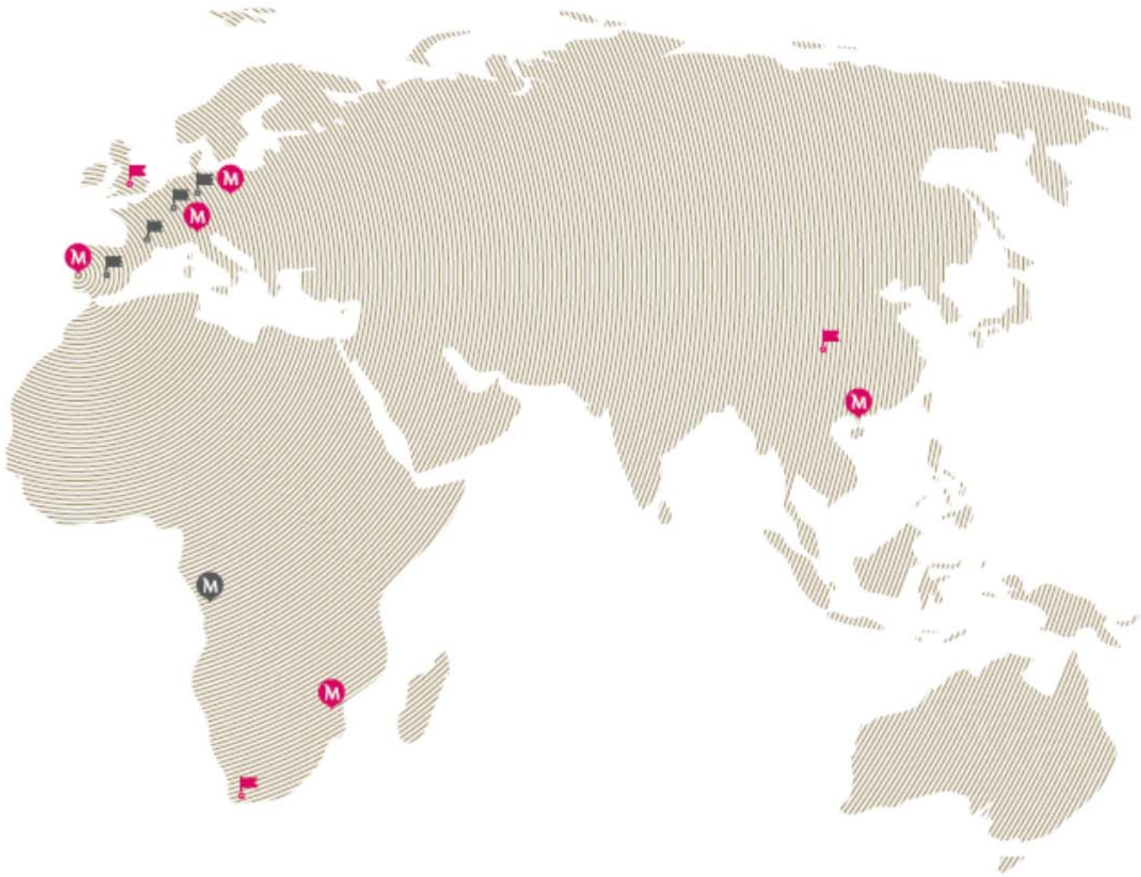
South Africa
1 Representative office

Mozambique
193 Branches
30 64 152

Macao
1 Branch

China
1 Representative office

Angola
Partnership in which BCP helds 22.7%



	Customers	Internet	Call Centre	Mobile Banking	ATM (1)	POS (2)
Portugal	2,595,000	716,211	221,614	461,684	1,949	60,610
Poland	1,845,000	1,245,659	157,647	1,068,432	487	–
Switzerland	2,000	569	–	–	–	–
Mozambique	1,381,000	18,466	50,721	576,173	520	7,792
Macao	3,000	–	–	–	–	–

Note: Active users are those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days.
1 Automated Teller Machines.
2 Point of Sale.

Financial Information

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (in the version in force), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2005, in the version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force.

The figures associated to discontinued operations are shown separately, for the relevant periods, according to the information provided in the consolidated financial statements approved by the shareholders and published by the Bank. The discontinued operations comprised within the period of time of the analysis herein made concern mainly Banco Millennium in Angola, which was considered as a discontinued operation in the first quarter of 2016, within the scope of the merger with Banco Privado Atlântico.

In 2016, Banco Comercial Português, S.A. agreed to a merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. pursuant to which that entity was considered to be discontinued as of 31 March 2016. On 31 December 2016, the costs and earnings of the financial year are presented under a single line named "income arising from discontinued operations". After the merger, which occurred on 30 April 2016, the assets and liabilities of Banco Millennium Angola were removed from the consolidated balance sheet, the shareholding in Banco Millennium Atlântico was recorded as associate and the respective earnings were accounted using the equity method.

We must point out that, in 2018, 2017 and 2016, the gains related with Millennium bcp Gestão de Ativos pursuant to adjustments to the sale price agreed for the sale of that company were also included in income arising from discontinued operations The item income arising from discontinued operations, also includes, in the 2018 financial year the income associated to the activity of the group Planfipsa that was considered as a discontinued operation as of the 3rd quarter of 2018 (after communication of the earnings to the market).

On 1 January 2018, the Group adopted the IFRS 9 – Financial Instruments, replacing the IAS 39 – Financial Instruments: Recognition and measurement which were in force until 31 December 2017. The IFRS 9 establishes new rules for the recognition of financial instruments and introduces paramount alterations, namely regarding their classification and measurement and also regarding the methods used to estimate the impairment of financial assets. As allowed by the temporary provisions of IFRS 9, the Group chose not to make the restatement of the comparative balances of the previous period. Hence, all adjustments made in the accounting values of financial assets and liabilities on the transition date were recognised in equity with reference to 1 January 2018 and the balances presented in the financial statements regarding the previous period correspond to the information effectively disclosed on 31 December 2017.

In order to achieve a better understanding of the performance of the Group's financial standing and ensure comparability with the information of previous periods, this analysis mentions a number of concepts that translate the management criteria adopted by the Group within the scope of the preparation of the financial information, the accounting correspondence of which is presented in the glossary and throughout the document, whenever applicable.

In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. The amounts of the items that were mentioned and included in this analysis for the years 2017 and 2016, are presented on a pro-forma basis with the purpose of ensuring their comparability. The total amount of net fees did not change.

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 December 2016 and 2017 is presented according to the new criteria.

In 2018 no changes were made to the information regarding previous financial years. Therefore, the figures re-expressed for the purpose of ensuring the comparability of the information result exclusively from the situations mentioned previously.

The evolution recorded by the activity of Millennium bcp in 2018 was featured by a sustained improvement of profitability and efficiency, based on a positive performance of net income from all geographies, particularly Portugal.

The net income of Millennium bcp stood at 301 million Euros in 2018, demonstrating a significant increase of 61.5% compared to the 186 million euros achieved in the previous year. These figures significantly benefited from the performance of the activity in Portugal, where net income increased 77 million euros, showing as well the greater contribution given by the international activity that benefited from the positive performance shown by all subsidiary companies, versus 2017.

The Group's totall assets reached 75,923 million euros on 31 December 2018, recording an increase versus the 71,939 million euros recorded on 31 December 2017, triggered mainly by the increase in the securities portfolio but also by the increases of the loans to customers portfolio and in cash and advances to Central Banks and other credit institutions. This performance was mitigated by the decrease mainly in non-current assets held for sale, namely in what regards real estate properties received as payment and also by other assets.

The total liabilities of the Group also increased from 64,760 million euros to 68,959 million euros between 31 December 2017 and 2018, driven by the increase in deposits and other resources from customers, both in Portugal and in international activity.

Loans to customers (gross) stood at 51,032 million euros on 31 December 2018, remaining practically aligned with the 50,955 million euros recorded by the end of 2017, due to the opposite impacts of the performance in Portugal and of the international activity which recorded, respectively, a decrease of 2.1% and an increase of 6.8% versus 2017. It is important to underline that the reduction in loans to customers portfolio in Portugal was determined by the performance of Non-performing exposures (NPE), which fell 1,957 million euros versus 31 December 2017, pursuing the positive trend evidenced in the last years. We should also emphasize the robust performance of performing credit that, in the activity in Portugal, increased 1,149 million euros in the same period, translating the pursue of the Group's strategy of support to families and to companies. The increase recorded in the international activity regarding loans to customers was essentially supported by the performance of the Polish subsidiary.

Total customer funds increased 5.2% versus the 70,344 million euros recorded on 31 December 2017, reaching 74,023 million euros by the end of December 2018, supported by the good performance showed by both the activity in Portugal and the international one. This dynamic performance was driven by the evolution recorded by balance sheet customer funds, namely by the 7.9%, growth in consolidated terms, of deposits and other resources from customers, which reached 55,248 million euros on 31 December 2018.

PROFITABILITY ANALYSIS

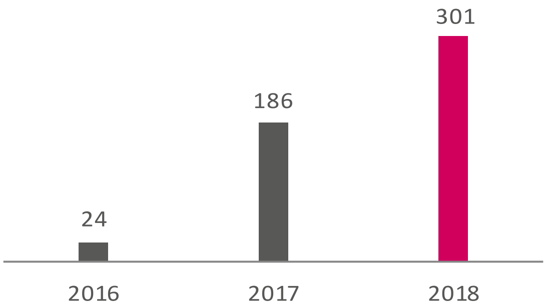
NET INCOME

The consolidated net income of Millennium bcp stood at 301 million Euros in 2018, showing a significant increase of 61.5% compared to the 186 million euros achieved in the previous year. For this evolution, both the strong recovery of activity in Portugal and the favourable performance revealed by the international activity, which benefited from a greater contribution from all the subsidiaries compared to the previous year, were decisive.

The increase of the consolidated net income in 2018, was due in large part to the sharp reduction in the provisioning requirements for risks arising from the Group's activity, both regarding credit and other impairments and provisions, and also to the favourable evolution of net interest income, of commissions and other net operating income. By contrast, the lower level of net trading income, the increase in staff costs and the tax burdens increase penalized the evolution of the consolidated net income.

NET INCOME

Million euros



QUARTERLY INCOME ANALYSIS

Euro million

	2018						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2017	2016
NET INTEREST INCOME	345	343	365	371	1,424	1,391	1,230
OTHER NET INCOME							
Dividends from equity instruments	0	1	(0)	0	1	2	8
Net commissions	168	172	170	174	684	667	644
Net trading income	34	43	13	(11)	79	148	240
Other net operating income	(29)	(61)	2	(1)	(89)	(102)	(106)
Equity accounted earnings	20	22	30	17	89	92	81
TOTAL OTHER NET INCOME	193	176	215	179	763	806	867
NET OPERATING REVENUES	538	519	580	550	2,187	2,197	2,097
OPERATING COSTS							
Staff costs	142	147	146	157	593	527	357
Other administrative costs	90	93	93	101	377	374	374
Depreciation	14	14	15	15	58	54	50
TOTAL OPERATING COSTS	246	255	253	273	1,027	954	780
OPERATING RESULTS	292	264	326	277	1,159	1,243	1,317
IMPAIRMENT							
For loans (net of recoveries)	106	115	116	129	466	624	1,117
Other impairment and provisions	24	35	33	43	135	301	481
INCOME BEFORE INCOME TAX	162	114	177	105	558	318	(281)
INCOME TAX							
Current	23	27	28	28	106	102	113
Deferred	26	(4)	10	1	32	(72)	(495)
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	113	92	139	76	420	288	101
Income from discontinued operations	0	2	(2)	(1)	(1)	1	45
NET INCOME AFTER INCOME TAX	113	94	137	76	419	290	146
Non-controlling interests	27	28	30	32	118	103	122
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	86	65	107	44	301	186	24

In the activity in Portugal[1], net income of 2018 amounted to 116 million euros and showed a very significant increase compared to the 39 million euros reported in 2017, deserving particular attention in this evolution, the significant reduction in the loans provisioning requirements and other assets and liabilities, which, in consolidated terms, fell by 276 million euros comparing to the previous year. This performance was also enhanced, on the one hand, by the positive evolution of commissions and of other net operating income, and on the other hand, mitigated by the increase in staff costs, the reduction of net trading income and the increase of deferred taxes.

The increase in staff costs was conditioned either 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, and by the higher level of restructuring costs recognised in 2018. The reduction in net trading income reflects, mainly, the negative impact from loan sales that took place in 2018, while the deferred taxes evolution is explained by the recognition in 2017 of the positive impact resulting from the increase of the State Surcharge tax rate in Portugal.

In the international activity, net income amounted to 187 million euros in 2018, comparing favourably with the 146 million euros recorded in the previous year. This evolution benefited from the positive performance of all the subsidiaries, with strong emphasis on the operations of Poland, Mozambique and Banco Millennium Atlântico (including the impact of the IAS 29 implementation within the scope of Angola's treatment as a highly inflationary economy) .

Bank Millennium in Poland reached a net income of 178 million euros in 2018, showing an increase of 18 million euros compared to 160 million euros in 2017, arising from the increase in net interest income, mainly associated with growth in business volume, and by he improvement of cost of risk, despite higher operating costs, influenced by the merger of the Skok Piast Credit Union and the increase in banking industry tax and the contribution to the deposit guarantee fund.

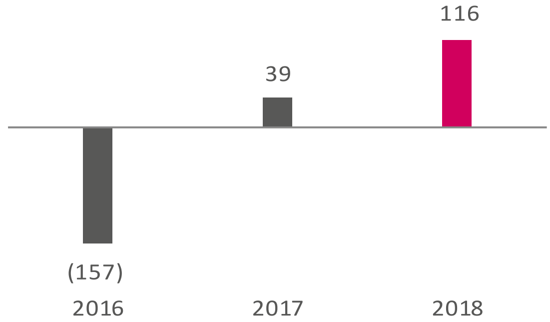
Millennium bim in Mozambique reported a net income of 94 million euros, representing an increase of 10.5% compared to the result of 85 million euros obtained in 2017, supported by the favourable evolution of net operating revenues, associated specifically with the increase in net interest income, notwithstanding the increase in operating costs and loans impairment.

[1] Not considering income arising from operations accounted as discontinued operations.

NET INCOME

Activity in Portugal

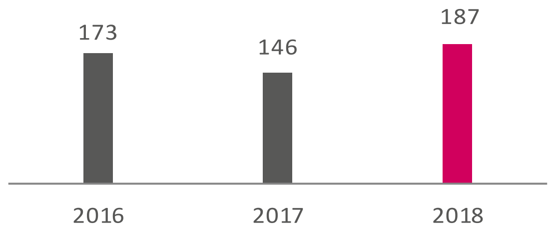
Million euros



NET INCOME

International activity

Million euros



Millennium Banque Privée in Switzerland reached a net income of 7 million euros in 2018, similar to the one obtained in 2017. Excluding the effect of the depreciation of the Swiss franc, the net income would have increased by 3.7%, reflecting increases in net interest income and foreign exchange gains, though mitigated by higher operating costs.

Millennium bcp Bank & Trust in the Cayman Islands recorded a net income of 5 million euros in 2018, compared with 2 million euros in 2017 (excluding the non-relevant foreign exchange effects on a consolidated basis that it calculated for this year), due to the favourable evolution of loans impairment and foreign exchange results, despite the negative impact of the reduction in commercial activity, mainly in net interest income.

In what Angola is concerned, the contribution to the net income of 2018 of the international activity, rose to 21 million euros, compared to 0.1 million euros registered in the previous year, reflecting, on the one hand, the highest individual result of Banco Millennium Atlântico in local currency, which was hampered by the adverse effect of the depreciation of Kwanza on the conversion to Euros and, on the other hand, the favourable impact of the IAS 29 implementation.

NET INCOME OF INTERNATIONAL ACTIVITY

Euro million

	2018	2017	2016	Chan. % 18/17
Bank Millennium in Poland (1)	178	160	160	11.3%
Millennium bim in Mozambique (1)	94	85	71	10.5%
BANCO MILLENNIUM ATLÂNTICO (2)				
Before the impact of IAS29	21	29	50	-27.5%
Impact of IAS29	1	(28)		102.7%
BMA AFTER THE IMPACT OF IAS29 (2)	21	0	50	>200%
Other	13	9	13	47.3%
Non-controlling interests (2)	(120)	(108)	(122)	-11.1%
NET INCOME OF INTERNATIONAL ACTIVITY	187	146	173	27.8%
NET INCOME OF INTERNATIONAL ACTIVITY EXCLUDING IAS29	186	175	173	6.6%

(1) The amounts showed are not deducted from non-controlling interests.

(2) Following the merger of Banco Millennium Angola with BPA, Banco Millennium Angola ceased to be fully consolidated, being classified for accounting purposes as a discontinued operation in the first quarter of 2016. The amounts presented in 2016 correspond to the proportion of the results of Banco Millennium Angola appropriated by the Group up to the date of the merger (37 million euros, of which 18 million euros attributable to the Bank), considering the full consolidation method and the proportion of the results of Banco Millennium Atlântico appropriated by the Group after the date of the merger (13 million euros), considering the equity method.

Note: Net income of 2018 (after taxes and non-controlling interests) attributable to the international operations amounted to 187 million euros. For the same period, net income from Poland amounted to 178 million Euros (of which 89 million euros attributable to the Bank). The net income from Mozambique ascended to 94 million euros (of which 63 million Euros attributable to the Bank). The net income of the activity in Angola, associated to the contribution of Banco Millennium Atlântico to the consolidated, calculated by the equity method, was of 21 million euros. Net income from the activities in Switzerland and in the Cayman Islands included in "Other" were fully attributable to the Bank.

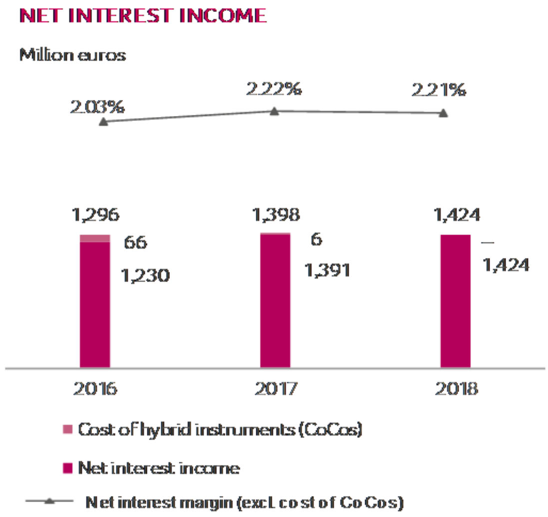
NET INTEREST INCOME

The Net interest income amounted to 1,424 million euros in 2018, showing an increase of 2.3% compared to the 1,391 million euros recorded in the previous year, triggered by the good performance of the international activity, namely the Polish operation and also, though on lesser extent, of the operation in Mozambique. In the activity in Portugal net interest income remained virtually in line with the amount of 2017.

In the activity in Portugal, net interest income amounted to 803 million euros in 2018, compared to 808 million euros recorded in the previous year, and the impact of the reduction in the cost of funding was neutralized by the decrease in the income generated by loans and securities portfolios.

The favourable evolution of the cost of funding in the activity in Portugal arose both from the reduction in the cost of the debt issued and also, albeit to a lesser extent, from the continued reduction in costs incurred with customer deposits, whose average interest rates extended the downward trend of previous years.

The decline in income generated by the domestic credit portfolio in 2018 reflects, on the one hand, the context of the reduction in margins dictated by the evolution of the macroeconomic and competitive situation and, on the other hand, the lower average volume of loans compared to the previous year as a consequence of the reduction of Non-Performing Exposures (NPE). The lower income generated by the securities portfolio in the activity in Portugal, compared to the previous year, was affected by the reduction of implicit interest rates, reflecting the reduction of yields on public debt securities, although an increase in average volumes was identified.



In the international activity, net interest income increased by 6.3% compared to the 583 million euros recorded in 2017, standing at 620 million euros in 2018, mainly driven by the performance of the Polish subsidiary, but also, albeit to a lesser extent, by the subsidiary in Mozambique.

The favourable performance shown by net interest income of the international activity in 2018, compared to the previous year, was mainly determined by the growth of profits generated by the securities portfolio, which more than counterbalanced the reduction in interest related to loans to customers.

Net interest income of the international activity was also positively influenced by a slight decrease in costs of funding compared to 2017, as a consequence of the lower level of costs incurred with customer deposits, whose impact was partially absorbed by the increase in wholesale funding costs.

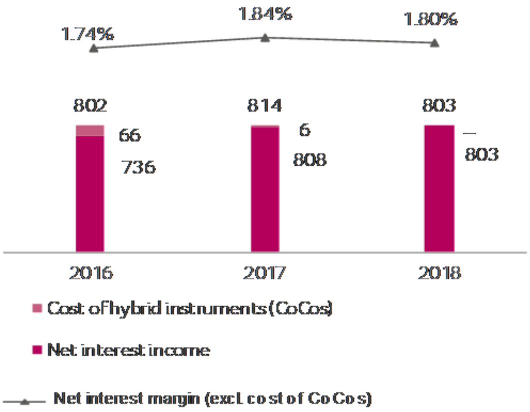
Net interest income in Poland was mainly influenced by the increase in income from loans portfolio, arising both from the increase in volumes and also from the rise in interest rates, also benefiting from, albeit to a lesser extent, the favourable performance in the securities portfolio mainly driven by the reinforcement of investment in Polish public debt securities. This positive evolution was however mitigated by the rise of funding costs compared to the previous year, associated in particular with the increase in the volume of customer deposits.

The good performance of net interest income in the subsidiary in Mozambique was mainly due to the increase in profits generated by the securities portfolio, concentrated in debt securities issued by the Mozambican State, due to the increase in volumes versus 2017. It should also be noted the positive effect of the decrease in costs incurred with deposits, arising from to the reduction of interest rates. The decrease in loans to customers and their average interest rate have mitigated the growth in net interest income.

NET INTEREST INCOME

Activity in Portugal

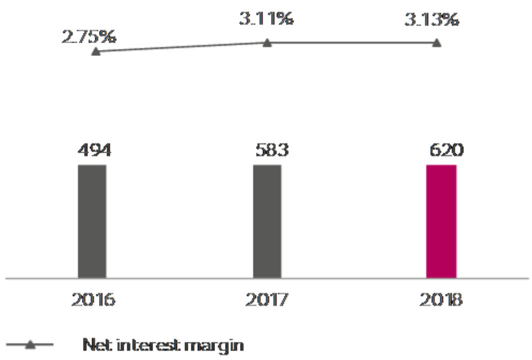
Million euros



NET INTEREST INCOME

International activity

Million euros



AVERAGE BALANCES

Million euros

	2018		2017		2016	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	2,702	0.97%	3,070	0.93%	3,085	0.62%
Financial assets	13,250	2.17%	11,163	2.27%	10,396	2.08%
Loans and advances to customers	47,620	3.19%	47,861	3.29%	49,428	3.25%
TOTAL INTEREST EARNING ASSETS	63,572	2.88%	62,094	2.99%	62,909	2.92%
Discontinued operations (1)	-		-		731	
Non-interest earning assets	9,847		10,575		10,045	
TOTAL ASSETS	73,419		72,669		73,685	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	7,397	0.13%	9,140	0.05%	10,497	0.28%
Deposits and other resources from customers	53,258	0.58%	50,560	0.65%	49,010	0.70%
Debt issued and financial liabilities	2,787	1.61%	3,162	2.70%	4,123	3.25%
Subordinated debt	1,116	5.55%	929	6.90%	1,649	7.33%
TOTAL INTEREST BEARING LIABILITIES	64,558	0.66%	63,791	0.76%	65,279	0.96%
Discontinued operations (1)	-		-		684	
Non-interest bearing liabilities	1,944		2,116		2,414	
Shareholders' equity and Non-controlling interests	6,917		6,762		5,308	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	73,419		72,669		73,685	
NET INTEREST MARGIN (2)		2.21%		2.21%		1.92%
Excluding cost of hybrid financial instruments (CoCos)		2.21%		2.22%		2.03%

(1) Refers to Banco Millennium in Angola, which in the context of the merger process with Banco Privado Atlântico, was considered for accouting purposes as a discontinued operation in the first quarter of 2016.
(2) Net interest income as a percentage of average interest earning assets.
Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2018, 2017 and 2016, to the respective balance item.

Average net assets increased compared to 72,669 million euros recorded in 2017, standing at 73,419 million euros in 2018, driven by the performance of the balance of interest bearing assets, whose increase was minimised by the impact of the reduction registered in non-interest bearing assets. For the favourable evolution of interest bearing assets, which amounted to 63,572 million euros in 2018, compared to 62,094 million euros in 2017, the rise of the average balance of financial assets was the major contributor, increasing from 11,163 million euros in 2017 to 13,250 million euros in 2018, notwithstanding the decreases recorded in the average balances of deposits in credit institutions and loans to customers.

The total average of interest bearing liabilities amounted to 64,558 million euros in 2018, showing an increase from 63,791 million euros in the previous year, as a result of the rise in customer deposits, which went from 50,560 million euros in 2017 to 53,258 million euros in 2018. Interest bearing liabilities were inversely influenced by the balance of amounts owned to credit institutions, which on average decreased from 9,140 million euros recorded in 2017 to 7,397 million euros in 2018.

In terms of average balance sheet structure, the balance of interest bearing assets represents 86.6% of average net assets in 2018, compared to 85.4% obtained in the previous year. Loans to costumers represent 64.9% of total average net assets in 2018, decreasing its relative weight in the balance sheet structure compared to the 65.9% recorded in 2017, but remaining as the main aggregate of the interest bearing assets portfolio. On the other hand, the financial assets portfolio saw its relative weight in the balance sheet structure increase from 15.4% in 2017 to 18.0% in 2018.

In the structure of average interest bearing liabilities, Customer deposits have strengthened their relevance, representing 82.5% of interest bearing liabilities' balance in 2018, compared to 79.3% in the previous year, remaining the main financing and support instrument of the intermediation activity. By contrast, there was a reduction in the weight of deposits of credit institutions and of the component of debt securities issued and financial liabilities in the average balance of interest bearing liabilities from 14.3% and 5.0% in 2017 to 11.5% and 4.3% in 2018, respectively.

The evolution of the average balance of the shareholders' equity essentially reflects the positive effects of the share capital increase of € 1.3 billion in February 2017 and the results generated in 2018 on the one hand and the negative impact resulting from the transition adjustments of the IFRS9, on the other.

The net interest margin stood at 2.21% in 2018, remaining in line with 2017, which, excluding the impact of the cost of CoCos, stood at 2.22%. This alignment reflects a roughly proportional increase of the net interest income and of the average interest bearing assets during 2018.

Average interest rates on components directly related to customer transactions, namely the average net interest margin on deposits and the average net interest margin on loans to customers, recorded both a decline in 2018 compared to the rates obtained in 2017.

OTHER NET INCOME

Other net income, which includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, were of 763 million euros in 2018, decreasing by 43 million euros compared to the 806 million euros recorded in 2017, largely due to the performance of the activity in Portugal, but also, tough to a lesser extent, to the performance of international activity.

Other net income in the activity in Portugal decreased by 33 million euros compared to the amount recorded in 2017, largely influenced by net trading income, which registered a decrease of 73 million euros, due to the negative impact of loans sales that took place in 2018. It should be noted, however, that this evolution was attenuated by the positive performance of net commissions and of other net operating income, which improved in 20 million euros and 18 million euros respectively, compared to the amounts registered in the previous year.

In international activity, the reduction of 10 million euros recorded in other net income in 2018, compared to the amount recorded in 2017, reflects the decrease of 13 million euros in the Polish subsidiary, partially offset by the increase of 7 million euros evidenced by the operation in Mozambique, in both cases largely arising from the evolution witnessed in other net operating income.

OTHER NET INCOME

Million euros

	2018	2017	2016	Chan. % 18/17
Dividends from equity instruments	1	2	8	-63.7%
Net commissions	684	667	644	2.6%
Net trading income	79	148	240	-47.1%
Other net operating income	(89)	(102)	(106)	12.5%
Equity accounted earnings	89	92	81	-2.7%
TOTAL	763	806	867	-5.4%
of which:				
Activity in Portugal	510	544	590	-6.2%
International activity	253	262	277	-3.7%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporates dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading, amounted to 1 million euros in 2018, which compares to 2 million euros recorded in the previous year, reflecting the evolution of the income associated with investments that are part of the Group's share portfolio.

NET COMMISSIONS

In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. The amounts of the items that were mentioned, included in this analysis for the years 2017 and 2016 are presented on a pro-forma basis with the purpose of ensuring their comparability. The total amount of net commissions did not change.

Net commissions include commissions related to the banking business and commissions directly related to financial markets. In 2018, net commissions increased by 2.6% compared to 667 million euros in 2017, reaching 684 million euros.

This evolution benefited from the good performance of the activity in Portugal, whose commissions registered an increased of 4.3% compared to the 456 million euros recorded in 2017, reaching 475 million euros in 2018, determined by commissions related to the banking business, which grew by 4.8% compared to the previous year, and commissions that are more directly related to the financial markets, reaching a higher level of 1.3% versus 2017.

In international activity, net commissions amounted to 209 million euros in 2018, showing a reduction in 1.1% from 211 million euros of the previous year, mainly due to the performance of the subsidiary companies in Poland and Switzerland.

In consolidated terms, the favourable performance of net commissions in 2018, compared to the amounts recorded in the previous year, is anchored in the growth of 3.5% in commissions related to the banking business, despite a decrease of 1.4% of commissions related to the financial markets in the same period, originated by the international activity.

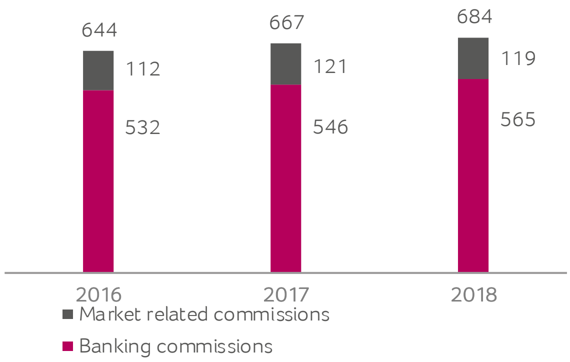
Commissions related to the banking business evolved positively from 546 million euros recorded in 2017 to 565 million euros registered in 2018, mainly reflecting the growth of commissions related to cards and transfers and to loans and guarantees, in both cases benefiting from the performance of the activity in Portugal and also from the international activity.

The commissions associated to the business of cards and transfers showed a growth of 7.1% compared to the 156 million euros reached in 2017, standing at 167 million euros in 2018, supported by the growth of 6.0% and 9.3% which occurred respectively in the activity in Portugal and in the international activity, in this case justified by the performance of the subsidiaries in Poland and Mozambique.

The commissions related to credit and guarantee operations amounted to 164 million euros in 2018, registering an increase of 4.9% compared to the 156 million euros reached in 2017, benefiting from

NET COMMISSIONS

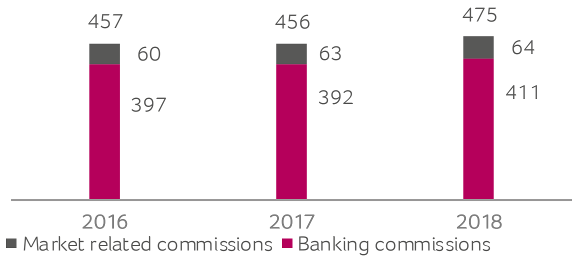
Million euros



NET COMMISSIONS

Activity in Portugal

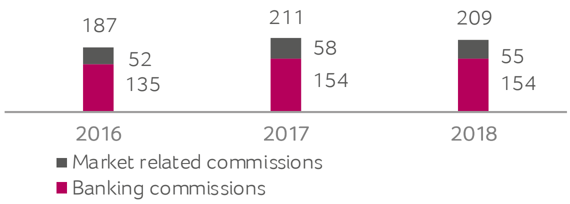
Million euros



NET COMMISSIONS

International activity

Million euros



greater contributions of both the activity in Portugal, which presented a growth of 4.2%, and also from the international activity, which increased by 6.4% over the previous year, mainly due to the good performance of the Polish subsidiary, although mitigated by the evolution of the operation in Mozambique.

The bancassurance commissions, which include commissions obtained from the placement of insurance products through the Bank's distribution networks in Portugal and Poland, recorded an increase of 3.9% against the 101 million euros recorded in 2017, amounting to 105 million euros in 2018, encouraged by the favourable evolution of both the activity in Portugal and the international activity, which, compared to the previous year, grew 3.9% and 3.7%, respectively.

Commissions associated with the opening and maintenance of accounts amounted to 106 million euros in 2018, reporting an increase of 1.9% compared to 104 million euros in the previous year, driven by the increase of 2.5% registered in the activity in Portugal. In the international activity it decreased by 2.8% compared to the figures obtained in 2017, mainly due to the operation in Poland.

Commissions related to financial markets added up to 119 million euros in 2018, which compares to 121 million euros reached in 2017, influenced by the 4.4% reduction in the international activity, mainly resulting from the performance of commissions associated with securities. By contrast, in the activity in Portugal, commissions related to the financial markets showed an increase of 1.3%, guided by the growth of commissions associated with securities transactions.

Commissions on securities transactions amounted to 77 million euros in 2018, slightly below (0.8%) of the amount obtained in the previous year, conditioned by the performance of the international activity, whose commissions decreased by 8.7%, namely with respect to operations in Switzerland and Poland. In the activity in Portugal, this type of commissions rose by 2.2% over the previous year.

The commissions generated by asset management amounted to 42 million euros in 2018, showing a reduction of 2.6% when compared to the amount calculated in the previous year, due to the performance of both the activity in Portugal and the international activity, which presented decreases of 5.6% and of 2.0% respectively, compared to the amount recorded in the previous year. The reduction of commissions generated by asset management in the international activity was the result of the behaviour of the Polish and Mozambican operations, despite the positive performance of the subsidiaries in Switzerland and Cayman.

NET COMMISSIONS

Million euros

	2018	2017	2016	Chan. % 18/17
BANKING COMMISSIONS				
Cards and transfers	167	156	144	7.1%
Credit and guarantees	164	156	149	4.9%
Bancassurance	105	101	92	3.9%
Current accounts related	106	104	102	1.9%
Other commissions	23	29	45	-19.3%
SUBTOTAL	565	546	532	3.5%
MARKET RELATED COMMISSIONS	–	–	–	0.0%
Securities	77	77	73	-0.8%
Asset management	42	44	39	-2.6%
SUBTOTAL	119	121	112	-1.4%
TOTAL NET COMMISSIONS	684	667	644	2.6%
of which:	–	–	–	0
Activity in Portugal	475	456	457	4.3%
International activity	209	211	187	-1.1%

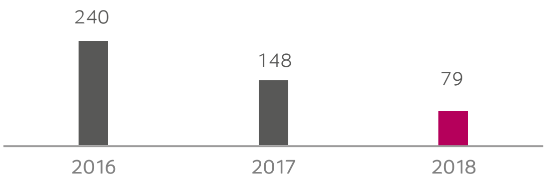
NET TRADING INCOME

Net trading income 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 finacial liabilities measured at amortized cost, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale, in the latter case only until 2017. In 2018, net trading income stood at 79 million euros, compared to 148 million euros in 2017.

This evolution essentially reflects the reduction of 73 million euros in the activity in Portugal compared to the previous year, since the net trading income in the international activity showed an increase of 3 million euros, benefiting from the good performance of all the subsidiaries, with the exception of the subsidiary in Mozambique, whose net trading income was lower than the one reported in 2017.

NET TRADING INCOME

Million euros



The performance of the net trading income in the activity in Portugal was large conditioned by the negative impact of the loan sales that took place in 2018, determined by the reduction in NPE, whose recognized losses amounted to 49 million euros, as well as by smaller profits from the sale of securities.

NET TRADING INCOME

Million euros

	2018	2017	2016	Chan. % 18/17
Net gains / (losses) from financial operations at fair value through profit or loss	1	14	12	-95.4%
Net gains / (losses) from foreign exchange	75	72	85	4.0%
Net gains / (losses) from hedge accounting operations	3	(33)	11	107.8%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(49)	(8)	(6)	<-200%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	49	–	–	-
Net gains / (losses) from financial assets available for sale	–	103	139	-100.0%
TOTAL	79	148	240	-47.1%
of which:				
Activity in Portugal	12	85	100	-85.6%
International activity	66	63	140	5.2%

OTHER NET OPERATING INCOME

Other net operating income, including other operating income, net of operating costs, net gains from the insurance activity and gains/losses arising from sales of subsidiaries and other assets, amounted to a negative 89 million euros in 2018, showing an improvement compared to the negative 102 million euros registered in 2017, supported by the good performance of the activity in Portugal.

In the activity in Portugal, other net operating income increased from the negative 50 million euros recorded in 2017 to an also negative 32 million euros in 2018, mainly reflecting the increase in income generated by the sale of non-current assets held for sale, despite being mitigated by the increase in costs due to the mandatory contributions, which totalled 68 million euros in 2018 compared to 59 million euros in the previous year. The amounts paid in the form of mandatory contributions in Portugal includes the cost with the European Resolution Fund (FUR) of 21 million euros (18 million in 2017), the contribution of 12 million euros stipulated for the national resolution fund (8 million euros in 2017), the contribution on the banking sector of 33 million euros (31 million euros in 2017), the ECB's supervision fee, which remained at 2 million euros in 2018 and 2017, and the contribution to the Deposit Guarantee Fund, whose value is relatively immaterial.

In international activity, other net operating income were of a negative 57 million euros in 2018, which compare with a negative 52 million euros in 2017, conditioned in particular to the increase in mandatory contributions, which amounted to 71 million euros in 2018 compared with 68 million euros in the previous year.

The mandatory contributions shown in the international activity were supported almost completely by the Polish subsidiary, whose performance was also influenced by gains that had been recorded in 2017 with the real estate disposal and the indemnity received. The impact of the evolution of other net operating income in the Polish operation, at an international activity level, was partially compensated by the larger contribution from the operation in Mozambique in 2018 compared to the previous year.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, include the 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. In 2018, equity accounted earnings stood at 89 million euros, compared to 92 million euros in 2017.

The evolution of equity accounted earnings was influenced in a negative way by the lower contribution of Banco Millennium Atlântico which decreased 6 million euros compared to the previous year and by the impact of the sale, in 2017, of some financial holdings, whose contribution, in that year, totalled 3 million euros. On the other hand, equity accounted earnings in 2018 benefited from the appropriation of income of the stake held in SIBS SGPS, S.A. which increased 5 million euros compared to the same period of the previous year.

EQUITY ACCOUNTED EARNINGS

Million euros

	2018	2017	2016	Chan. % 18/17
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	35	35	26	-0.1%
UNICRE - Instituição Financeira de Crédito, S.A.	7	7	27	5.6%
Banco Millennium Atlântico, S.A.	34	40	13	-14.5%
Banque BCP, S.A.S.	4	4	3	3.9%
SIBS, SGPS, S.A.	8	3	12	155.3%
Other	1	3	(1)	-81.2%
TOTAL	89	92	81	-2.7%

OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation. In 2018, excluding the effect of specific items[2] , operating costs totalled 998 million euros, standing 3.0% above the 968 million euros registered in the previous year, driven largely by the increase in the international activity, but also by the increase in costs observed in the activity in Portugal.

In the activity in Portugal, operating costs, not considering the effect of the specific items above mentioned, amounted to 612 million euros in 2018, showing a rise of 1.7% compared to the 602 million euros recorded in the previous year. This rise in costs was due to, almost entirely, the evolution in staff costs which, conditioned by the impact of the reposition of wages which started from July 2017, stood at 359 million euros in 2018, increasing by 3.7% compared to the 346 million euros recorded in 2017. At the same time, there was an increase in depreciations from 33 million euros in 2017 to 36 million euros in 2018, which also contributed to the higher level of operating costs calculated in 2018. On the other hand, it should be noted that savings in other administrative costs, which, following the rationalization and cost containment measures implemented, have shown a reduction of 2.7% compared to the 222 million euros obtained in 2017, amounting to 216 million euros in 2018.

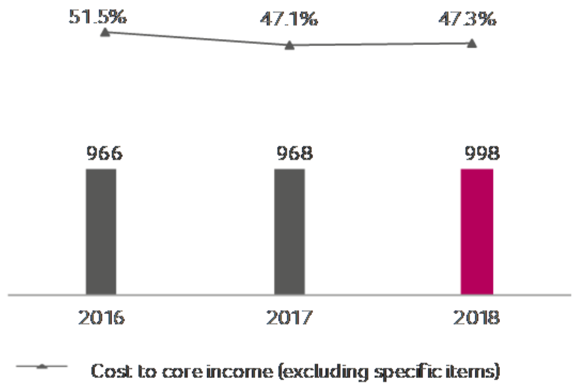
In the international activity, operating costs showed an increase of 5.3% compared to the 367 million euros recorded in 2017, amounting to 386 million euros in 2018, reflecting the performance of staff costs, of other administrative costs and of depreciations which recorded increases of 6.4%, 3.9% and 4.7%, respectively, compared to the previous year. In 2018 the evolution of operating costs in the international activity was predominantly influenced by the increases in the costs of the subsidiaries in Poland and Mozambique.

The cost to core income ratio of the Group in 2018, excluding specific items, stood at 47.3%, remaining relatively in line with the 47.1% observed in 2017, because the negative impact of the increase in operating costs, was mitigated by the favourable evolution of both the net interest income and commissions.

In the activity in Portugal, the cost to core income ratio reached 47.9% in 2018, compared to 47.6% in

OPERATING COSTS

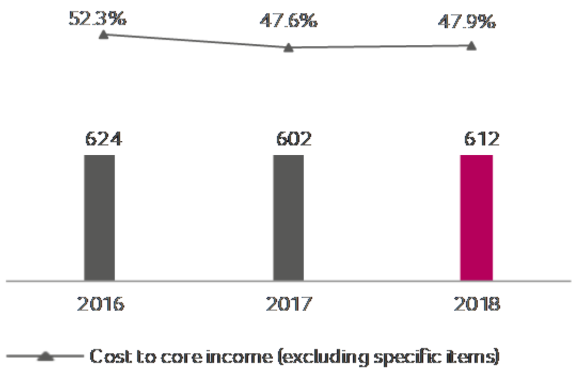
Million euros



OPERATING COSTS

Activity in Portugal

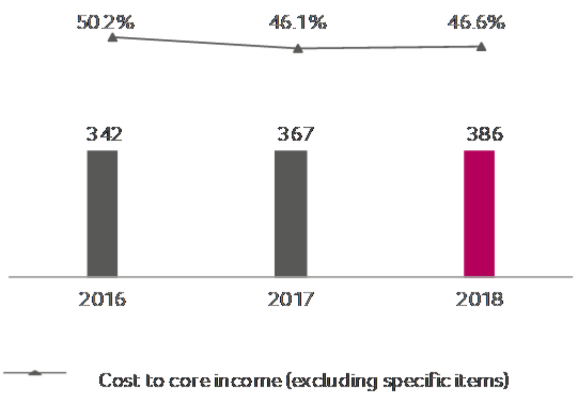
Million euros



OPERATING COSTS

International activity

Million euros



[2] Negative impact of 29.4 million euros in 2018 (of which 26.7 million euros related to restructuring costs recognized as staff costs and 2.7 million euros associated with the ongoing digital transformation project, recognized as other administrative costs, both in the activity in Portugal) and positive impact of 14.2 million euros in 2017, related to restructuring costs and the revision of Collective Labour Agreement recorded as staff costs, in the activity in Portugal.

2017, reflecting increases in the core income base on the one hand and in operating costs, on the other.

In the international activity, the cost to core income ratio stood at 46.6% in 2018 (46.1% in 2017), and the impacts arising from the increase in operating costs and the reduction in commissions were mitigated by the favourable evolution of the net interest income.

OPERATING COSTS

Million euros

	2018	2017	2016	Chan. % 18/17
ACTIVITY IN PORTUGAL (1)				
Staff costs	359	346	362	3.7%
Other administrative costs	216	222	233	-2.7%
Depreciation	36	33	29	9.7%
	612	602	624	1.7%
INTERNATIONAL ACTIVITY				
Staff costs	207	194	181	6.4%
Other administrative costs	158	152	141	3.9%
Depreciation	21	20	20	4.7%
	386	367	342	5.3%
CONSOLIDATED (1)				
Staff costs	566	541	542	4.7%
Other administrative costs	374	374	374	0.0%
Depreciation	58	54	50	7.8%
	998	968	966	3.0%
SPECIFIC ITEMS	29	(14)	(186)	>200%
TOTAL	1,027	954	780	7.7%

(1) Excludes impacts of specific items presented in the table, as detailed in the previous page.

STAFF COSTS

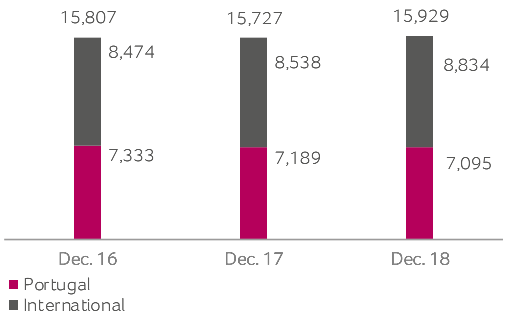
Staff costs, excluding the effect of the specific items, fully recognized in the domestic activity, amounted to 566 million euros in 2018, standing 4.7% above the 541 million euros of 2017, due to the evolution of both the activity in Portugal and the international activity.

In the activity in Portugal, excluding the impact of the specific items (in the total amount of 27 million euros recognized in 2018 related to restructuring costs which, among others, include the accounting of costs related to early retirement, and 14 million euros of profits identified in 2017, related to restructuring costs and revision of the Collective Labour Agreement), staff costs stood at 359 million euros, showing an increase of 3.7% compared to the 346 million euros of 2017. This increase in staff costs compared to the previous year was mainly 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. This increase was mitigated by the impact of the reduction in the number of employees, from 7,189 as of 31 December 2017 to 7,095 employees at the end of December 2018.

In terms of international activity, staff costs amounted to 207 million euros in 2018, standing 6.4% above the 194 million euros identified in the previous year, mostly motivated by the performance of the Polish subsidiary, but also, although to a lesser extent, by the increase in Mozambique.

The number of employees in the international operations increased from 8,538 in 31 December 2017 to 8,834 at the end of 2018, and this rise in numbers was almost entirely due to the increase of 302 employees in the subsidiary of Poland, which happened because of the acquisition by Bank Millennium of the Skok Piast Credit Union' assets and liabilities, in November 2018, following the decision of the Polish Supervisory Authority.

EMPLOYEES



STAFF COSTS

Million euros

	2018	2017	2016	Chan. % 18/17
Salaries and remunerations	458	433	416	5.7%
Social security charges and other staff costs	108	108	126	0.7%
TOTAL EXCLUDING SPECIFIC ITEMS	566	541	542	4.7%
SPECIFIC ITEMS	27	(14)	(186)	-288.4%
TOTAL	593	527	357	12.6%

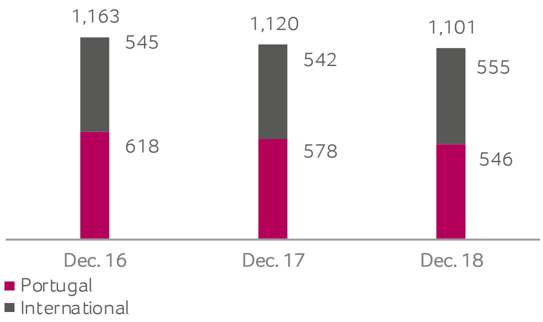
OTHER ADMINISTRATIVE COSTS

Other administrative costs, excluding the effect of specific items above mentioned, stood at 374 million euros in 2018, remaining stable compared to the amount recorded in the previous year (374 million euros). Just like 2017, the stability shown by other administrative costs on a consolidated basis results from changes in opposite directions of the costs in the activity in Portugal and in the international activity, which have offset one another. Thus, the savings of 6 million euros achieved by the activity in Portugal was fully absorbed by an increase in costs of the same value found in the international activity.

In the activity in Portugal, other administrative costs continued to show a decreasing trend, presenting a reduction of 2.7% compared to the 222 million euros accounted in 2017, amounting to 216 million euros in 2018, excluding the effect of specific items. This performance continues to reflect the rationalization and cost containment efforts that have been implemented in Portugal, namely the impact of the resizing of the branch network, from 578 in 31 December 2017 to 546 at the end of 2018. The resizing of branches, along with other measures, led to savings in items such as rents, advisory services and maintenance and related services, despite the increase in IT costs.

In the international activity, other administrative costs increased from 152 million euros in 2017 to 158 million euros in 2018, reflecting a 3.9% increase mainly justified to the increase in costs in the Polish subsidiary, although the Mozambican operation as also shown a high level of costs compared to the previous year.

BRANCHES



The number of branches in the international activity, which went from 542 at the end of 2017 to 555 branches on 31 December 2018, reflects on the one hand the increase of 6 branches in the Polish operation and on the other hand the expansion of Mozambique's network, where there was an increase of 7 branches compared to the end of the previous year, partially justified by the objective of the Mozambican Bank to extend its presence in certain areas of the country in order to speed up the process of financial inclusion of rural areas.

DEPRECIATION

Depreciations totalled 58 million euros in 2018, reflecting an increase of 7.8% compared to 54 million euros in the previous year, mainly due to the activity in Portugal, which increased by 9.7%.

In the activity in Portugal, depreciations amounted to 36 million euros in 2018, standing at 3 million euros above the amount registered in 2017, driven by growth in the IT equipment and software items, reflecting the investment effort of the Bank in technological innovation and in the ongoing digital transformation.

In the international activity, depreciations increased by 4.7% in 2018 compared to 20 million euros registered in the previous year.

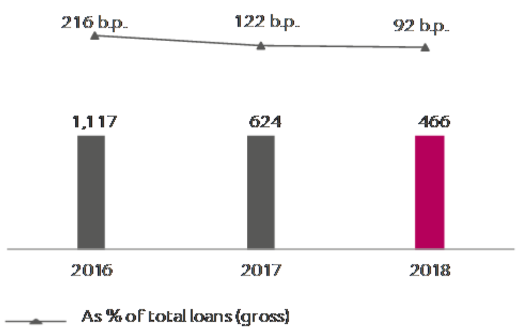
LOANS IMPAIRMENT

Impairment for loan losses (net of recoveries) stood at 466 million euros in 2018, which represents a reduction of 25.3% compared to the 624 million euros recorded in 2017, deepening the trend of gradual reduction of the cost of risk of the Group.

For this evolution, the contribution of the activity in Portugal has been decisive, once its loans impairment (net of recoveries) in 2018 showed a decrease of 143 million euros compared to the previous year. In 2018 loans impairment (net of recoveries) stood at 391 million euros, 26.7%, lower than the 533 million euros recorded in 2017, reflecting the evolution of the Portuguese economy and the trend towards a gradual normalization of the cost of risk of the loans portfolio, despite the maintenance of a high level of NPE reduction.

LOANS IMPAIRMENT (NET)

Million euros



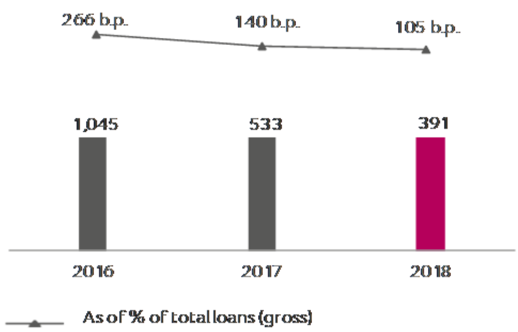
Loans impairment (net of recoveries) in the international activity also showed a very favourable performance by falling 16.8% against the 91 million euros recorded in the previous year, amounting to 75 million euros in 2018, and it should be highlighted the lowest level of impairment charges recognized by the Polish operation, which fell by 15 million euros compared to 2017.

The cost of risk (net of recoveries) of the Group showed a positive evolution for the second consecutive year, standing at 92 basis points in 2018, from the 122 basis points observed in the previous year.

LOANS IMPAIRMENT (NET)

Activity in Portugal

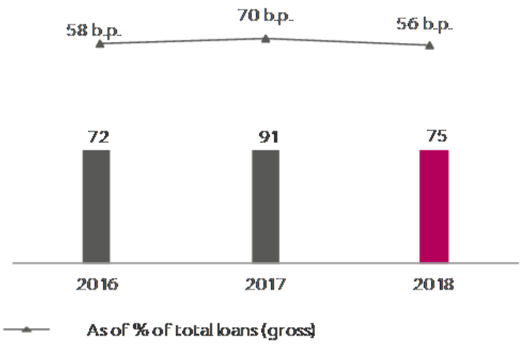
Million euros



LOANS IMPAIRMENT (NET)

International activity

Million euros



This evolution benefited both from, the improvement in the activity in Portugal, whose cost of risk (net of recoveries) fell from 140 basis points in 2017 to 105 basis points in 2018, and also from the international activity, where cost of risk decreased from 70 basis points at the end of 2017 to 56 basis points in 2018, in the latter case due to the performance of the Polish subsidiary, since in Mozambique there was an escalation in the cost of risk in 2018.

LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2018	2017	2016	Chan. % 18/17
Loan impairment charges (net of reversions)	479	641	1,151	-25.2%
Credit recoveries	13	17	34	-22.1%
TOTAL	466	624	1,117	-25.3%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	92 b.p.	122 b.p.	216 b.p.	-30 b.p.

Note: cost of risk adjusted from discontinued operations.

OTHER IMPAIRMENTS AND PROVISIONS

Other impairments and provisions include impairment of financial assets (classified at fair value through other comprehensive income, at amortized cost not associated with credit operations and available for sale, in the latter case until 2017) and the impairment charges of other assets, in particular assets received as payment in kind resulted from the termination of loan contracts with customers, investments in associated companies and goodwill of subsidiaries and other provisions.

Other impairments and provisions presented a favourable evolution in the last two years. In 2018, other impairment and provisions charges decreased by 55.1% compared to the 301 million euros recognized in 2017, totalling 135 million euros, mainly due to the performance of the activity in Portugal, although it also benefited from the behaviour registered in the international activity.

In the activity in Portugal, other impairments and provisions decreased by 133 million euros compared to 254 million euros in the previous year, amounting to 121 million euros in 2018. This evolution reflects the lower need for provisioning required by the real estate and financial assets portfolios and goodwill, despite the reinforcement of provisions for guarantees and other commitments.

In the international activity, there was a decrease of 33 million euros from other impairments and provisions compared to the previous year, from 47 million euros in 2017 to 15 million euros in 2018, mainly benefiting from the reduction of impairment for the investment in Banco Millennium Atlântico, recognized pursuant to the application of the IAS29.

INCOME TAX

Taxes (current and deferred) reached 138 million euros in 2018, compared to 30 million euros calculated in 2017.

In 2018, the recognized taxes include current taxes of 106 million euros (102 million euros in 2017) and deferred taxes of 32 million euros (income of 72 million euros in 2017). The deferred tax income recorded in 2017 arose from the effect of the increase of the State Surcharge tax rate in force in Portugal applicable to taxable income exceeding 35 million euros, from 7% to 9%, for the taxation periods beginning on or after 1 January 2018.

NON-CONTROLLING INTERESTS

Non-controlling interests incorporate the portion attributable to third parties of the net income of the subsidiary companies, consolidated under the full method, wherein Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests record mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%), Millennium bim in Mozambique (33.3%) and, in 2016, also the former Banco Millennium Angola (49.9%). Regarding the latter, this item only includes earnings of the first four months of the year, namely until the merger with Banco Privado Atlântico that originated Banco Millennium Atlântico, the new entity resulting from the merger, whose contribution started being accounted using the equity method as of May 2016.

Non-controlling interests amounted to 118 million euros in 2018, increasing by 14.2% compared to 103 million euros in 2017, mainly due to the increase in the subsidiary's results in Poland and also, although to a lesser extent, the subsidiary in Mozambique.

REVIEW OF THE BALANCE SHEET

Considering, on one hand, that, following the entrance into force of the IFRS 9 – Financial Instruments, the Group chose not to make the restatement of the comparative balances of the previous period, and that, on the other hand, the adoption of the IFRS 9 also produced impacts on the structure of the financial statements of Millennium bcp versus 31 December 2017, some indicators were defined based on management criteria focused on facilitating comparability with the financial information presented in previous periods, highlighting loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET AS AT 31 DECEMBER

Euro million

	2018	2017 (1)	2016 (1)	Chan. % 18/17
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (2)	3,081	2,463	2,022	25.0%
Financial assets measured at amortised cost				
Loans and advances to credit institutions	890	1,066	1,057	-16.5%
Loans and advances to customers	45,561	45,626	45,914	-0.1%
Debt instruments	3,375	2,008	2,104	68.1%
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	870	898	1,049	-3.0%
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405	–	–	
Financial assets designated at fair value through profit or loss	33	142	147	-76.8%
Financial assets measured at fair value through other comprehensive income	13,846	–	–	
Financial assets available for sale	–	11,472	10,596	-100.0%
Financial assets held to maturity	–	412	511	-100.0%
Investments in associated companies	405	571	599	-29.1%
Non-current assets held for sale	1,868	2,165	2,250	-13.7%
Other tangible assets, goodwill and intangible assets	636	655	636	-2.9%
Current and deferred tax assets	2,949	3,164	3,202	-6.8%
Other (3)	1,004	1,299	1,178	-22.7%
TOTAL ASSETS	75,923	71,939	71,265	5.5%
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	7,753	7,487	9,938	3.5%
Resources from customers	52,665	48,285	45,812	9.1%
Non subordinated debt securities issued	1,686	2,067	2,727	-18.4%
Subordinated debt	1,072	1,169	1,545	-8.3%
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	327	399	548	-18.1%
Financial liabilities measured at fair value through profit or loss	3,604	3,844	3,771	-6.2%
Other (4)	1,853	1,509	1,659	22.8%
TOTAL LIABILITIES	68,959	64,760	66,000	6.5%
EQUITY				
Share capital	4,725	5,601	4,269	-15.6%
Share premium	16	16	16	
Preference shares	–	60	60	-100.0%
Other equity instruments	3	3	3	
Treasury shares	(0)	(0)	-3	74.7%
Reserves and retained earnings (5)	735	215	13	242.4%
Net income for the period attributable to Bank's Shareholders	301	186	24	61.5%
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780	6,081	4,382	-4.9%
Non-controlling interests	1,183	1,099	883	7.7%
TOTAL EQUITY	6,964	7,180	5,265	-3.0%
TOTAL LIABILITIES AND EQUITY	75,923	71,939	71,265	5.5%

(1) The balances for the years ended 31 December 2016 and 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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.

(2) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.

(3) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(4) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.

(5) Includes Legal and statutory reserves and Reserves and retained earnings.

Afterwards, we will present the reconciliation made between the management criteria defined and the accounting amounts published in the consolidated financial statements.

Loans to customers (gross) includes loans to customers at amortized cost before impairment, the debt securities at amortized cost associated with credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments. The amount of balance sheet impairment considered for the purpose of estimating loans to customers (net) and the coverage of the credit portfolio includes the balance sheet impairment associated with the loans at amortized cost, the balance sheet impairment associated with debt securities at amortized cost associated with credit operations and the adjustments associated with loans to customers at fair value through profit and loss.

Loans to customers

Euro million

	2018	2017	2016
Loans to customers at amortised cost (accounting Balance Sheet)	45,561	45,626	45,914
Debt instruments at amortised cost associated to credit operations	2,271	2,008	2,104
Balance sheet amount of loans to customers at fair value through profit or loss	291	0	0
Loan to customers (net) considering management criteria	48,123	47,633	48,018
Balance sheet impairment related to loans to customers at amortised cost	2,852	3,279	3,706
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	40	43	35
Fair value adjustments related to loans to customers at fair value through profit or loss	17	0	0
Loan to customers (gross) considering management criteria	51,032	50,955	51,758

Regarding deposits and other resources from customers, the Bank continued to use the approach previously used for the item "Resources from customers", putting together resources from customers at amortized cost and customer deposits at fair value through profit and loss. Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities classified at amortized cost or designated at fair value through profit or loss.

Balance sheet customer funds

Euro million

	2018	2017	2016
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,604	3,844	3,771
Debt securities at fair value through profit or loss and certificates	-1,020	-941	-786
Customer deposits at fair value through profit or loss considering management criteria	2,584	2,902	2,986
Resources from customers at amortised cost (accounting Balance sheet)	52,665	48,285	45,812
Deposits and other resources from customers considering management criteria (1)	55,248	51,188	48,798
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,686	2,067	2,727
Debt securities at fair value through profit or loss and certificates	1,020	941	786
Non subordinated debt securities placed with institucional customers	-1,369	-1,507	-1,877
Debt securities placed with customers considering management criteria (2)	1,337	1,501	1,636
Balance sheet customer funds considering management criteria (1)+(2)	56,585	52,688	50,434

The securities portfolio includes (i) debt securities at amortized cost not associated with credit operations (net of impairment) (ii) the financial assets at fair value through profit and loss (excluding the amounts related with credit operations and including trading derivatives), (iii) the financial assets at fair value through other comprehensive income, (iv) the assets with re-purchase agreement, (v) the financial assets available for sale and (vi) the financial assets held until maturity, in the last two cases only until 2017.

Securities portfolio

Euro million

	2018	2017	2016
Debt instruments at amortised cost (accounting Balance sheet)	3,375	2,008	2,104
Debt instruments at amortised cost associated to credit operations net of impairment	-2,271	-2,008	-2,104
Debt instruments at amortised cost considering management criteria (1)	1,104	0	0
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,405	0	0
Balance sheet amount of loans to customers at fair value through profit or loss	-291	0	0
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	1,114	0	0
Financial assets held for trading (accounting Balance sheet) (3) *	870	898	1,049
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (4)	33	142	147
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (5)	13,846	0	0
Assets with repurchase agreement (accounting Balance sheet) (6)	58	0	21
Financial assets available for sale (accounting Balance sheet) (7)	0	11,472	10,596
Financial assets held to maturity (accounting Balance sheet) (8)	0	412	511
Securities portfolio considering management criteria (1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)	17,025	12,924	12,323

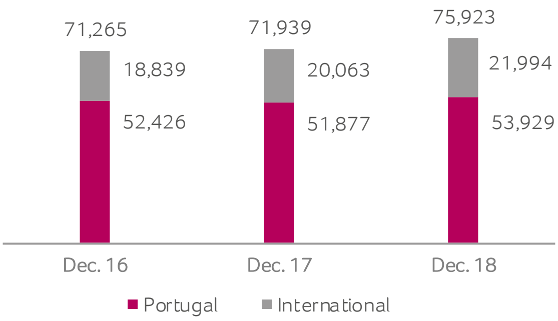
* Includes trading derivatives.

In 2018, the consolidated balance sheet of Millennium bcp expanded, reflecting mainly the growth in the securities portfolio in terms of assets and the growth in deposits and other customer funds in terms of liabilities. Equity decreased, influenced in a large extent by the adjustments for the transition into the IFRS 9, notwithstanding the positive earnings recorded in 2018.

Total assets accounted for 75,923 million euros on 31 December 2018,showing an increase versus the 71,939 million euros recorded on 31 December 2017, triggered mainly by the increase in the securities portfolio but also by the increase in the portfolios loans to customers and cash at Central Banks and other credit institutions. However, this good performance was mitigated by the decreases recorded mainly in non-current assets held for sale,

TOTAL ASSETS

Million euros



namely in the portfolio of real estate properties received as payment and also by other assets.

The securities portfolio reached 17,025 million euros on 31 December 2018, representing 22.% of total assets on the same date. On 31 December 2017, the securities portfolio represented 18.0% of total assets, standing at 12,924 million euros. The performance of the securities portfolio in 2018, if compared with the one at the end of the previous year, was mainly determined by the performance of the activity in Portugal, namely the increase in the public debt portfolio, being also noteworthy the growth in the securities portfolio allocated to the international activity recorded on the balance sheet of the operations in Poland and in Mozambique.

Consolidated loans to customers (gross) stood at 51,032 million euros on 31 December 2018, standing slightly above 50,955 million euros recorded on the same date of the previous year, evidencing, on one hand, the 6.8% increase in the international activity and, on the other, the 2.1% decrease in Portugal, explained by the reduction in NPE.

Total Liabilities grew 6.5% against the 64,760 million euros recorded on 31 December 2017, reaching 68,959 million euros by the end of December 2018, benefiting from the strong expansion in deposits and other resources from customers, which increased from the 51,188 million euros recorded on 31 December 2017 to 55,248 million euros recorded on the same date in 2018. Growth in deposits and other resources from customers translates the positive performances in Portugal and internationally, showing increases of 6.8% and 10.5%, respectively.

The increase in deposits and other resources from customers, together with the performance of credit versus 2017, led to a reduction of the commercial gap and the consequent improvement of the loan-to-deposit ratio (net loans over deposits and other resources from customers), which stood at 87.1% on 31 December 2018, against the 93.1% on 31 December of the previous year.

Equity, including non-controlling interests, totalled 6.964 million Euros on 31 December 2018, compared to 7,180 million euros recorded at the end of 2017. This performance was chiefly driven by the net income achieved in 2018 (301 million euros) and also by the negative effects due to the transition adjustment into the IFRS 9, after tax (374 million euros) and the negative deviation of foreign exchange reserves (105 million euros), mostly associated with the investment in Banco Millennium Atlântico, in Angola.

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp stood at 51,032 million euros on 31 December 2018, remaining practically aligned with the 50,955 million euros recorded at the end of the previous year. This performance embodies two opposite impacts since the 6.8% increase recorded in the international activity, versus the amount estimated on 31 December 2017, was almost fully absorbed by the 2.1% fall in the loans portfolio of the activity in Portugal during the same period.

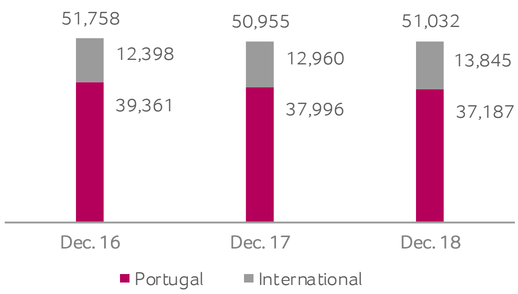
The evolution showed by loans to customers versus the one recorded on 31 December 2017, was influenced both by the increase in loans to individuals, boosted by the performance of the international activity, and also by the decrease in loans to companies where the growth recorded in the international activity proved insufficient to offset the reduction recorded in this type of loans in the activity in Portugal, if compared with the one recorded in 2017.

In Portugal, loans to customers (gross) stood at 37,187 million euros on 31 December 2018, meaning that they stood 2.1% below the amount of 37,996 million euros accounted by the end of 2017 . It is important to mention that, to achieve these figures, the reduction in NPEs in 1,957 million euros against the one recorded on 31 December 2017, proved to be decisive and a signal that the trend observed in the last years continues. On the other hand, it is also noteworthy the figures achieved by the performing credit which, in the same period, increased 1,149 million euros, benefiting from the robust performance of loans to companies, namely in what regards leasing and factoring. Simultaneously, the performance of loans to companies has been showing a structural change, translated into the reduction of the weight of construction and real estate activities and non-financial holding companies.

In the international activity, loans to customers (gross) increased 6.8% versus the 12,960 million euros registered on 31 December 2017, reaching 13,845 million euros by the end of 2018, mainly due to the performance of the subsidiary in Poland.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

	2018	2017	2016	Var. % 18/17
INDIVIDUALS				
Mortgage loans	23,781	23,408	24,018	1.6%
Consumer credit	4,017	3,795	4,058	5.9%
	27,798	27,203	28,076	2.2%
COMPANIES				
Services	8,762	9,244	9,104	-5.2%
Commerce	3,504	3,472	3,190	0.9%
Construction	1,961	2,405	2,859	-18.5%
Other	9,008	8,632	8,529	4.4%
	23,234	23,753	23,682	-2.2%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	27,798	27,203	28,076	2.2%
Companies	23,234	23,753	23,682	-2.2%
	51,032	50,955	51,758	0.2%

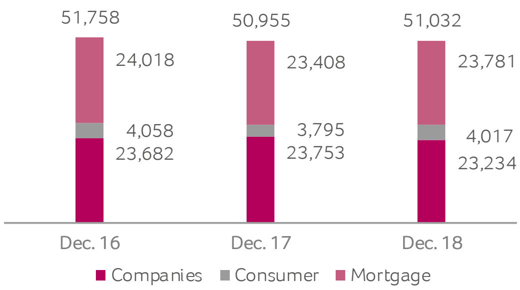
Consolidated loans to customers (gross) before impairment maintained similar and balanced standards of heterogeneousness in the period of time comprised between 31 December 2017 and 31 December 2018, with loans to individuals representing 54.5% (53.4% in 2017) and loans to companies 45.5% (46.6% in 2017) of the total amount of loans to customers.

On 31 December 2018, loans to customers stood at 27,798 million euros, a 2.2% growth if compared with the 27,203 million euros recorded on 31 December 2017.

This increase in loans to individuals was mainly caused by mortgage loans and consumer loans, reaching 23,781 million euros and 4,017 million euros, on 31 December 2018, increasing 1.6% and 5.9%, respectively, from the end of December 2017, both triggered by the performance of the international activity since, in the activity in Portugal, both mortgage loans and consumer loans remained practically aligned with the amounts recorded on 31 December 2017. On 31 December, 2018, in consolidated terms, mortgage loans represented 85.5% of loans to individuals whilst consumer loans represented 14.5%.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

Loans to companies amounted to 23,234 million euros on 31 December 2018, decreasing 2.2% versus the 23,753 million euros recorded by the end of December 2017 since the increase of 6.7% in the international activity was not enough to compensate the 4.5% decrease recorded in the activity in Portugal.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

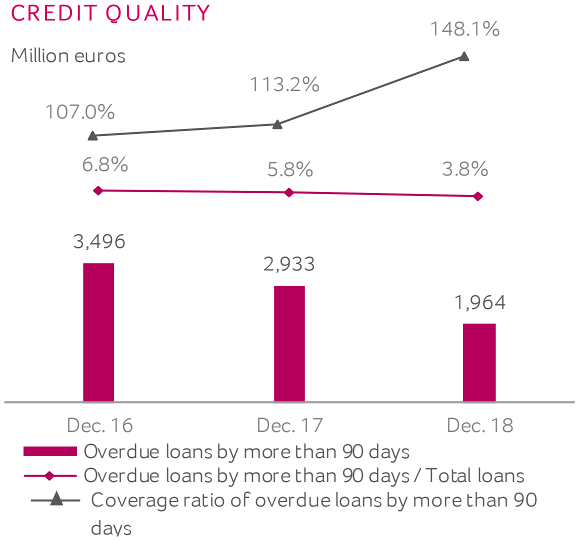
	2018	2017	2016	Chan. % 18/17
MORTGAGE LOANS				
Activity in Portugal	17,179	17,145	17,698	0.2%
International Activity	6,602	6,263	6,320	5.4%
	23,781	23,408	24,018	1.6%
CONSUMER CREDIT				
Activity in Portugal	1,992	1,988	2,435	0.2%
International Activity	2,026	1,807	1,623	12.1%
	4,017	3,795	4,058	5.9%
COMPANIES				
Activity in Portugal	18,017	18,863	19,227	-4.5%
International Activity	5,217	4,890	4,455	6.7%
	23,234	23,753	23,682	-2.2%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	37,187	37,996	39,361	-2.1%
International Activity	13,845	12,960	12,398	6.8%
TOTAL	51,032	50,955	51,758	0.2%

In Portugal, loans to companies decreased 4.5% if compared with the 18,863 million euros recorded on 31 December 2017, amounting to 18,017 million by the end of 2018. We must emphasize that this performance mainly results from the ongoing significant effort that is being made to reduce NPEs. Also regarding loans to companies, it is important to mention the 19.0% reduction in 2018 in credit to construction, meaning that the relative weight of this type of credit in the total of loans to companies is less significant, going from 11.0% by the end of 2017 to 9.3% on 31 December 2018.

In 2018, loans to companies in the international activity evidenced an expansion of 6.7% versus the amount recorded on 31 December 2017, standing at 5,217 million on 31 December 2018, due to the positive performance by the Polish subsidiary, a performance which was mitigated by the reduction, if compared with the previous year, recorded by the subsidiary in Mozambique.

CREDIT QUALITY

Million euros



CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	Dec.18	Dec.17	Dec.16	Dec.18	Dec.17	Dec.16
STOCK						
Loans to customers (gross)	51,032	50,955	51,758	37,187	37,996	39,361
Overdue loans > 90 days	1,964	2,933	3,496	1,681	2,641	3,241
Overdue loans	2,084	3,022	3,631	1,733	2,689	3,328
Restructured loans	3,507	4,184	5,046	2,970	3,643	4,711
Non-performing loans (NPL) > 90 days	3,105	4,527	5,385	2,651	4,058	5,029
Non-performing exposures (NPE)	5,547	7,658	9,374	4,797	6,754	8,538
Loans impairment (Balance sheet)	2,909	3,322	3,741	2,383	2,864	3,346
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	3.8%	5.8%	6.8%	4.5%	7.0%	8.2%
Overdue loans / Loans to customers (gross)	4.1%	5.9%	7.0%	4.7%	7.1%	8.5%
Restructured loans / Loans to customers (gross)	6.9%	8.2%	9.7%	8.0%	9.6%	12.0%
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	6.1%	8.9%	10.4%	7.1%	10.7%	12.8%
Non-performing exposures (NPE) / Loans to customers (gross)	10.9%	15.0%	18.1%	12.9%	17.8%	21.7%
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	148.1%	113.2%	107.0%	141.8%	108.4%	103.2%
Coverage of overdue loans	139.6%	109.9%	103.0%	137.6%	106.5%	100.5%
Coverage of *Non-performing loans* (NPL) > 90 dias	93.7%	73.4%	69.5%	89.9%	70.6%	66.5%
Coverage of *Non-performing exposures* (NPE)	52.4%	43.4%	39.9%	49.7%	42.4%	39.2%

The quality of the credit portfolio continued to improve, benefiting from the continued focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives initiated by the commercial areas and credit recovery areas towards the regularisation of operations in situations of default.

This improvement may be observed in the positive performance of the respective indicators, namely of the ratio of overdue loans for more than 90 days versus total loans which went from 5.8% on 31 December 2017 to 3.8% on 31 December 2018 and of the NPL for more than 90 days and NPE in percentage of the total credit portfolio ratios that evolved from 8.9% and 15.0% by the end of 2017 to

6.1% and 10.9% on 31 December 2018, respectively, showing essentially the performance of the domestic loans portfolio.

Alongside, there was an increase in the coverage by impairments in relation to the several indicators presented, being worth mentioning the reinforcement in the coverage of NPE by impairment, from 43.4% on 31 December 2017 to 52.4% on 31 December 2018. In the activity in Portugal, coverage of NPE by impairment stood at 49.7% on 31 December 2018, if compared with the 42.4% recorded by the end of 2017. The coverage of NPL for more than 90 days recorded a very positive performance in 2018, increasing around 20 percentage points versus 2017. The coverage ratio of overdue loans for more than 90 days by impairment is also outstanding, going from 113.2% on 31 December 2017 to 148.1% on 31 December 2018 (from 108.4% to 141.8% in Portugal, in the same period).

Overdue loans for more than 90 days amounted to 1,964 million euros on 31 December 2018, showing a decrease of 33.0% versus the 2,933 million euros recorded by the end of 2017, and the Total overdue loans volume recorded a reduction of 31.0% in relation to the 3,022 million euros recorded on 31 December 2017, standing at 2,084 million euros by the end of December 2018. The performance recorded by overdue loans results from the positive performance by the activity in Portugal that recorded a reduction of 957 million euros in total overdue loans versus the amount of 2,689 million euros recorded by the end of 2017.

The NPE fell to 5,547 million euros on 31 December 2018, showing a reduction of 2,110 million euros by the end of 2017, of which 1,957 million euros result from the activity in Portugal.

CUSTOMER FUNDS

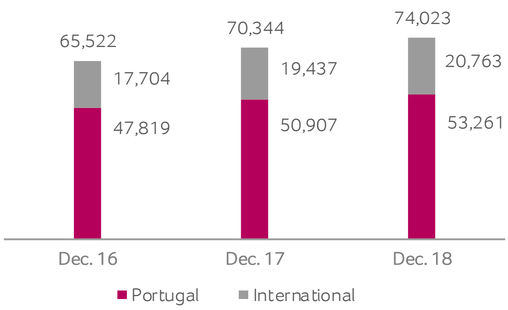
On 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely regarding 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 presentation of the information as at 31 December 2016 and 2017 obeys to the new criteria.

Total customer funds increased 5.2% versus the 70,344 million euros recorded on 31 December 2017, standing at 74,023 million euros by the end of December 2018, due to the good performance recorded by both the activity in Portugal and by international activity. The behaviour shown by balance sheet customer funds was critical for this performance, and the growth in this item was driven by deposits and other resources from customers which, in consolidated terms, recorded an increase of 7.9%, equal to 4,060 million euros versus the amount computed on 31 December 2017.

In the activity in Portugal, total customer funds grew 4.6% versus the 50,907 million euros recorded by the end of December 2017, standing at 53,261 million euros on 31 December 2018. This evolution shows primarily the 2,391 million euros increase in deposits and other resources from customers versus the end of 2017 and confirms the trend of expansion of the weight of customer deposits in the assets funding structure recorded in the last years.

TOTAL CUSTOMER FUNDS

Million euros



In the international activity, total customer funds expanded 6.8% in relation to the amount of 19,437 million euros recorded on 31 December 2017, attaining 20,763 million euros by the end of December of 2018, supported by the performance shown by deposits and other customer funds which grew 10.5% mainly due to the performance of the Polish subsidiary.

TOTAL CUSTOMER FUNDS

Euro million

	2018	2017	2016	Chan. % 18/17
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	55,248	51,188	48,798	7.9%
Debt securities	1,337	1,501	1,636	-10.9%
	56,585	52,688	50,434	7.4%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	5,018	5,130	4,091	-2.2%
Assets placed with customers *	3,793	4,151	3,070	-8.6%
Insurance products (savings and investment)	8,627	8,374	7,928	3.0%
	17,438	17,656	15,089	-1.2%
TOTAL	74,023	70,344	65,522	5.2%

* Excluding assets under management.

The balance sheet customer funds of the Group, including deposits and other resources from customers and debt securities, reached 56,585 million euros on 31 December 2018, evidencing an increase of 7.4% versus the amount of 52,688 million euros recorded by the end of December 2017, due to the increase in deposits and other resources from customers of 4,060 million euros, despite the 164 million euros reduction in debt securities, if compared with the figures recorded by the end of 2017.

On 31 December 2018, balance sheet customer funds represented 76% of total customer funds, with deposits and other resources from customers representing 75% of total customer funds.

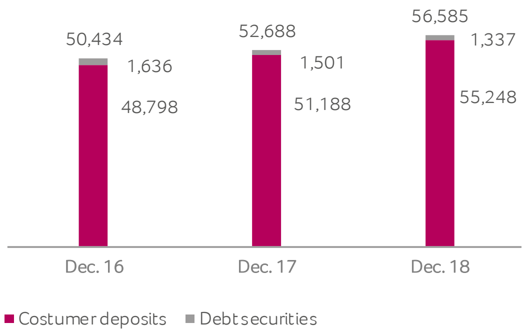
Deposits and other resources from customers, which amounted to 55,248 million euros as of 31 December 2018, increased by 7.9% compared to 51,188 million euros registered at the end of 2017, boosted by the performance of both the activity in Portugal and the international activity, namely the subsidiary in Poland.

Debt securities, which correspond to the Group's debt securities subscribed by customers amounted to 1,337 million euros on 31 December 2018, registering a reduction of 164 million euros compared to 1,501 million euros recorded at the end of the previous financial year, due to the activity in Portugal.

Off-balance sheet customer funds, which include assets under management, assets placed with customers and insurance products (savings and investment), amounted to 17,438 million euros at the end of December 2018, a drop of 1.2% compared to the 17,656 million euros registered in 31 December 2017, since the increase in 252 million

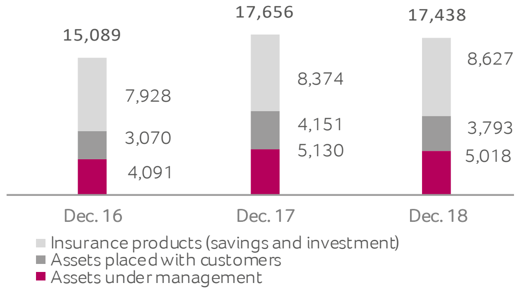
BALANCE SHEET CUSTOMER FUNDS

Million euros



OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



euros in savings and investment insurances was not enough to offset the decrease in 112 million euros and 358 million euros in assets under management and assets placed with customers, respectively.

Assets under management resulting from the provision of clients' portfolio management services within the scope of agreements for their placement and management, amount to 5,018 million euros as of 31 December 2018, 2.2% below the 5,130 million euros at the end of 2017, conditioned by the 13.0% decrease in international activity, despite the good performance of the activity in Portugal, whose assets under management increased by 7.6% compared to the end of 2017 supported by the increase of the volume of the asset management portfolios mainly acquired by the Private Banking segment.

Assets placed with customers, which correspond to the amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions, stood at 3,793 million euros in 31 December 2018, representing a reduction of 8.6% compared to the amount recorded in 31 December 2017, mainly arising from the performance of the activity in Portugal, whose decrease reached 10% when compared to the end of 2017. This reduction during 2018 is explained by the transfer of customer funds invested in off-balance sheet products to balance sheet products.

Insurance products (savings and investment) increased by 3.0% compared to 8,374 million euros registered in 31 December 2017, standing at 8,627 million euros at the end of 2018, influenced by the activity in Portugal, which showed a growth of 3.8% when compared to the amount of the previous year.

TOTAL CUSTOMER FUNDS

million euros

	2018	2017	2016	Chan. % 18/17
BALANCE SHEET TOTAL CUSTOMER FUNDS				
Activity in Portugal	38,900	36,681	35,567	6.0%
International Activity	17,685	16,007	14,867	10.5%
	56,585	52,688	50,434	7.4%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	14,361	14,226	12,252	0.9%
International Activity	3,077	3,430	2,837	-10.3%
	17,438	17,656	15,089	-1.2%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	53,261	50,907	47,819	4.6%
International Activity	20,763	19,437	17,704	6.8%
TOTAL	74,023	70,344	65,522	5.2%

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

Deposits from Central Banks and other credit institutions, net of cash and deposits at other credit institutions, totalled 6,536 million euros in 31 December 2018, which compare to 6,126 million euros at the end of the previous year, reflecting a slight increase of the wholesale funding needs, once the reinforcement of the eligible asset buffers with the increase of the sovereign debt portfolios in Portugal and Poland was mainly due to a further reduction of the commercial gap in Portugal and to the funds released by the activity.

The value of collateralised instruments with the ECB remained at 4.0 billion euros, corresponding to the balance of the longer-term refinancing operations called TLTRO, which will reach maturity in 2020. Net indebtedness to the ECB, which corresponds to resources from Central Banks deducted from deposits with the Bank of Portugal and from other liquidity denominated in Euro in excess over the minimum cash reserves, continued its progressive reduction path in 2018, declining by 397 million euros, to a balance of 2.7 billion euros.

The "Funding and Liquidity" section presents an analysis of the main lines of action and objectives of Millennium bcp regarding the liquidity management priorities defined in the Liquidity Plan for the year under analysis, namely the management of the portfolio of assets eligible for possible refinancing operations, so as to guarantee the appropriate funding of the activity in the short-term and in the medium- to long-term.

SECURITIES PORTFOLIO

The securities portfolio, as previously defined, reached 17,025 million euros on 31 December 2018, representing 22.4% of total assets on the same date. On 31 December 2017, the securities portfolio represented 18.0% of total assets, standing at 12,924 million euros. The performance of the securities portfolio in 2018, if compared with the one recorded by the end of the previous year, was mainly determined by the performance of the activity in Portugal, being also noteworthy the growth in the securities portfolio allocated to the international activity recorded on the balance sheet of the operations in Poland and in Mozambique.

The increase of 5,249 million euros in the Group's public debt securities portfolio was particularly relevant herein, amounting to 13,089 million euros in December 31, 2018, compared to 7,841 million euros at the end of the previous year, representing now 76.9% of the total amount of the securities portfolio (60.7% in 31 December 2017).

The increase in this portfolio was mainly driven by developments in Portugal, whose portfolio reached 7,466 million euros in 31 December 2018, compared to 4,189 million euros at the same date in 2017, mainly due to investment in Portuguese sovereign debt.

In the international activity, there was also an increase in the public debt portfolio, from 3,652 million euros in 31 December 2017 to 5,623 million euros at the end of 2018, arising mainly from the portfolio held by the Polish subsidiary, but also, although in a smaller scale, from the portfolio held by the subsidiary in Mozambique.

SECURITIES PORTFOLIO

Euro million

	2018	2017	2016	Change 18/17
Financial assets measured at amortised cost (1)	1,104	--	--	-
Financial assets measured at fair value through profit or loss (2)	2,017	1,040	1,195	93.9%
Financial assets measured at fair value through other comprehensive income	13,846	--	--	-
Financial assets available for sale	--	11,472	10,596	-100.0%
Financial assets held to maturity	--	412	511	-100.0%
Assets with repurchase agreement	58	--	21	-
TOTAL	17,025	12,924	12,323	31.7%
of which:				
Activity in Portugal	10,904	7,742	8,061	40.8%
International activity	6,121	5,182	4,262	18.1%

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and including trading derivatives.

OTHER ASSET ELEMENTS

Other asset elements, which include hedging derivatives, investments in associates, non-current assets held for sale, investment property, other tangible assets, goodwill and intangible assets, current and deferred tax assets, and other assets, represented 9.0% of total consolidated assets in 31 December 2018 (10.9% at the end of 2017), standing at 6,804 million euros, compared to 7,853 million euros recorded in 31 December 2017.

EQUITY

At 31 December 2018, the total equity (including non-controlling interests) amounted to 6,964 million euros, showing a decline of 3.0% compared to the previous year, which had reached 7,180 million euros.

The reduction observed in the shareholders' equity includes, on the one hand, the decrease in own funds attributable to the Bank's shareholders, which fell 4.9% from 6,081 million on 31 December 2017 to 5,780 million euros at the end of 2018 and, on the other hand, the increase in non-controlling interests, which increased to 1,183 million euros on 31 December 2018, compared to 1,099 million euros registered in the previous year.

Total equity attributable to the Bank's shareholders decreased by 300 million euros, with the main negative impacts being the adjustment of transition to the IFRS 9 amounting to 374 million euros, including the respective tax effect, changes in foreign exchange reserves which decreased 105 million euros, mainly due to the stake held in Banco Millennium Angola, as a result of the devaluation of the Kwanza experienced in 2018, the negative actuarial deviations associated with the Group's Pension Fund, which totalled 94 million euros, net of taxes, and the early repayment of the preferential shares issued by BCP Finance Company, Ltd. which had an unfavourable effect of 60 million euros in the shareholders' equity. These negative impacts were partially counterbalanced by the creation of capital associated with the materialization of a number of positive effects for the Group's net worth, with special emphasis on the net income of the year which totalled 301 million euros.

It should be noted within this context that, following the resolution of the General Meeting of Shareholders held on 5 November 2018, the reformulation of the equity items was approved, with the objective of strengthening conditions for the future existence of funds that could qualify as distributable under regulatory qualification. In this sense, the share capital was reduced by 876 million euros, going from 5,601 million euros to 4,725 million euros. This reduction was made through the increase of reserves and retained earnings, therefore there was no change in the shareholders' equity.

The 85 million euros increase in non-controlling interests reflects mainly the component of the net income attributable to third parties generated in the year, in the amount of 118 million euros, and this was primarily mitigated by the impact of 26 million euros associated with the negative evolution of the foreign exchange reserves.

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 Specialized Credit and Real Estate 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 analysis, the fact that it ceased to be presented separately determined the reallocation of the operations within its perimeter to the original business segments, leading to the reassessment of the allocation criteria and the restatement of the income statement and the main business indicators of the respective segments with reference to 31 December 2017 on a comparable basis to the position reported in 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.

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

RETAIL

Highlights

- A 4% growth in the Customer base equivalent to a net increase of the base in 96 thousand Customers.
- More than 1 million integrated solutions in the portfolio, with a strong boost in sales in 2018.
- Around 2/3 of active accounts subscribed to the e-Statement.
- Launching of the insurance "Gestor Chave" - risk life insurance allowing companies and self-employed individuals to get additional protection versus bank loans.
- Launching of Médis Dental.
- Launching of the 100% digitally opened account, the first launched by major banks operating in Portugal.
- Loans to individuals increased 38% versus the same period of 2017.
- Growth in customer funds in more than Euros 2.1 billion versus the same period in 2017.
- Significant participation in the 7th Offer of OTRV (floating rate treasury bonds) with more than 20,000 investors.
- Maintenance of the leading position in the stock exchange business, co-related with the provision of tools such as the App bolsa and the platform MTRADER distinguished in 2018 with the award "Best Capital Market Promotion Initiative" in Euronext Lisbon.
- ActivoBank closed 2018 with approximately 229 thousand Customers (+40%), more than 145 thousand fans in facebook, and exceeded Euros 1,600 million of assets under management.
- Financing of 123 new microcredit operations, which resulted in a total of 1,497 million euros of approved credit and the creation of 233 new jobs.

Business activity

Mass Market

- Focus on campaigns addressed to the segments of Customers who are at the beginning of career and the Young segment through actions such as the offer of 10% of the amount of the wage, paid through Millennium bcp, in PPR and offer of tickets for the most significant summer festivals by means of the opening of an account.
- Increase of actions to improve Customer experience mainly focused on ongoing training actions executed on a weekly basis by the Retail Network, which enabled to achieve higher levels of Employee NPS and Bank NPS;
- Implementation of a programme to improve efficiency in the Mass Market Branches of the Retail network particularly focused on reducing transactions through the implementation of outsourcing in the corporate treasury function in branches with a high number of transactions, intelligent scanning of business processes, introduction of improvements in customer service;
- Digital migration through the launching of digital draws with prizes in the area of gadgets and technology, reaching a 15% escalation in the number of users of the website and of the App.

Prestige

- A significant expansion in the number of new Prestige Customers via the improvement of commercial systems, the enhancement of cross networking and member get member, the signing of protocols with companies and support to campaigns, such as the campaign "Família Millennium" with advantages extended to the relatives of our Customers, the Campaign "Conseguimos Mais 10% do seu ordenado" and the Médis & Móbis Campaign.
- Launching of the Program #1 Customer Experience with training in business approaches and servicing in the entire Customized Management network. Within the scope of this Programme, we certified our Client Managers and, this way, reached new NPS levels.
- Increase in the number of loans granted to Customers of the Prestige segment, either in the form of mortgage loans or personal loans (online and pre-approved) and offer of products and services that match the Customer's needs - a ready-to-use service – and are more adjusted to market trends – renting loans.
- In the Customized Remote Management, the Bank improved service to Digital Prestige Customers with an improvement in the NPS of this service.
- Establishment of relational marketing actions with the Prestige Customers in events such as the Millennium Estoril Open and the Padel Masters 2018, and in cultural events such as Festival ao Largo and offer of tickets to the preview of the film ALPHA, and also the test-drive in partnership with Jaguar Land Rover, to promote the product *renting* as a car financing solution for this type of Customers.

Residents Abroad

- A significant escalation in the number of new Customers residing abroad if compared with 2017, corresponding to an increase in the capture of new Customers, supported by referral, communication and strengthening of the relation with the Customers in countries with the largest communities of emigrants and via protocols for the capture of Non-habitual Residents and individuals with Golden Residence Permits.
- Reinforcement of the actions carried out in the wealthy foreign Customers segment, by customizing the communication through the translation of digital leaflets, newsletters, disclosing information in French on millenniumbcp.pt.
- The bank launched the new image of the Segment aiming at getting a more oriented communication, addressing typical Portuguese characteristics, fostering proximity to the brand Millennium.
- Significant growth in the number of transfers received for Customers classified as Residents Abroad, a fact that contributed to consider 2018 as the year with the best result over the last 5 years in terms of net changes in customer funds.
- Strengthened proximity through contact actions during Easter period and during the celebration of Portugal's National Day and during the Christmas Campaign, promoting the binding and the migration into digital of Customers by offering them special conditions.
- 4 Millennium Summer Festivals were carried out in several regions of the country, involving around 10.000 individuals amongst Customers and Suppliers, enhancing the Bank's image as a bank of reference in this Segment.

Business

- Consolidation of the main businesses, either in credit granted, with a strong increment versus 2017, or in the attraction of new Customers, with a significant rise versus the previous year.
- Revitalisation of the Protocol credit mainly through the Linha Capitalizar, supporting all activity sectors in terms of investment, treasury and working capital. With the credit Avançar we provided financing in small amounts, with preferential conditions, in requests made via the corporate website.
- Regarding support provided to the business activity of the Companies through Factoring and Confirming Lines and in cross-border business, 2018 recorded a significant impetus.
- The value proposal for the Micro-companies Customers was also reinforced with a Business Plan and access to the Corporate Customers Service Line, allowing the use of mobile phones.
- Increase of the support provided to brands operating in Portugal through franchising and enhancement of the relation established with the main organizations, namely the Associação Portuguesa de Franchising and the International Faculty for Executives, by Abilways and participation in the main events - CEO Franchising Conference, the Entrepreneurship and Franchising Fairs and the Expofranchise and the Portofranchise.
- In Portugal 2020, the Bank consolidated its position as the leading bank, reaching Euros 1 billion of accumulated financing.

Products

- Launching of the Family Advantage Campaign with exclusive advantages in credit, savings and insurance for family members of Customers with integrated solutions in order to achieve the loyalty of the entire family.
- Launching of Vodafone benefits, exclusively for holders of Integrated Solutions.
- Launching of the Pack Bicycles in the Personal Accidents Insurance.
- Reinforcing the Pro-Active Retention Programme for integrated solutions with the systematic sending of multichannel communication reminding Customers of the benefits they already use and of other available benefits, which enabled reaching significant results.
- Launching of the 100% digital account opening, via smartphone, also available on week-ends and holidays.
- Actions for the digital sale of insurances, involving several promotional campaigns.
- Inclusion of an increased number of risk insurances in the integrated phone sale process.
- Considering the historically low interest rates context, the Retail Network continued to design diversified solutions for Customers to diversify their financial assets, including products such as Certificates, Indexed Deposits, Structured Bonds, Investment Funds and Financial Insurances.
- We must also highlight the product Retirement where the bank continued focused on helping its Customers planning their future.
- Within the scope of the MiFID II - reinforcement of the conditions allowing to consolidate the "Provision of Information" in investment solutions, focusing on the continuous training of sales teams and the development of tools to ensure a rigorous and well informed decision-making process for Customers.
- The Bank developed several actions in consumer loans, namely special price conditions and targeted sales.

- In real estate credit, the Bank continued to invest in the 3 months campaign, free of interest, an attractive and distinctive offer in the market, extremely valued by the Customers. The bank remained focused on fixed rate solutions, which were favourites with Customers who privilege the instalment's stability. There was also a dynamic selling and adjustment of our mortgage credit solutions, namely special conditions for Transfers of Mortgage Loans.
- By being distinguished with the award "Best Capital Market Promotion Initiative" from Euronext Lisbon Awards 2018, the bank promoted the accession and use of the stock exchange platform MTrader, through campaigns for new securities accounts and attribution of exemptions and pricing discounts in transactions.

ActivoBank

- Reinforcement of the value proposal, together with the launching of new differentiating products and services, notably the implementation of the digital account opening in the Bank's App by resorting to video conference.
- Ongoing fine-tuning of a model aimed at strengthening loyalty and segmentation, directed at the identification and satisfaction of the Customers' financial needs;
- Development of new and more appealing pieces to support customer relationship management processes, notably the actions carried out based on previously approved credit limits.
- Development of account opening and special products campaigns landing pages;
- Authentication on the website by using the ID card.
- Implementation of a payments wallet called ActivoPay, based on MB Way services.
- Carrying out of three institutional communication and product campaigns i) in February, Personal Loans, mainly on the price of credit; ii) in August, promotion of the account opening via App (without the need to go to an Activo Point); and iii) in October, Mortgage Loans. We must highlight the regular presence in social networks and in digital media (search engines).
- During the summer, the Bank undertook several brand activation actions, based on sports and life style, notably the support to the beach handball and volleyball championships. These actions are always carried out within an environment matching the characteristics of ActivoBank, being addressed to young people (18-35 years), within our market target segment.
- It must be also emphasized the Bank's recognition by the domestic and international financial community translated in the attribution of the awards "Best Commercial Bank" in Portugal, by the magazine World Finance, Award Navegantes XXI in the category of "Melhor site App de Serviços Financeiros", "Marca Mais Reputada" da banca online in 2018 by Marktest and "Escolha Acertada DECO" for personal loans and internet current account (with and without Salary) .

Microcredit

- Meetings were held with City Councils, Town Councils, Teaching Institutions, Business Associations and Entities of the social economy, in addition to regular participation in events promoting and promoting employment and entrepreneurship.
- 19 new cooperation protocols were signed for entrepreneurship and the promotion of access to microcredit, of which 3 were public entities.
- Change of the Microcredit organizational structure, making this instrument available throughout the Bank's commercial network, which ensures greater proximity to Customers and reinforces the commitment to Microcredit activity.

Income

Million euros

RETAIL BANKING	31 Dec. 18	31 Dec. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	422	410	2.9%
Other net income	387	360	7.6%
	809	770	5.1%
Operating costs	467	470	-0.5%
Impairment	12	58	-79.5%
Income before tax	330	242	36.3%
Income taxes	103	71	44.7%
Income after tax	227	171	32.9%
SUMMARY OF INDICATORS			
Allocated capital	975	804	21.3%
Return on allocated capital	23.3%	21.3%	
Risk weighted assets	8,794	7,628	15.3%
Cost to income ratio	57.8%	61.0%	
Loans to Customers (net of impairment charges)	21,258	20,777	2.3%
Balance sheet Customer funds	28,187	25,911	8.8%

Notes:

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

As at 31 December 2018, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 227 million, showing a 32.9% growth compared to Euros 171 million in 2017, reflecting the significant favourable performance of this business unit in 2018. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 422 million as at 31 December 2018 and grew by 2.9% compared to the previous year (Euros 410 million), mainly influenced by the continuous decrease in costs associated to term deposits.
- Other net income rose up from Euros 360 million at the end of December 2017 to Euros 387 million in December 2018, showing a 7.6% increase.
- Operating costs went down 0.5% from December 2017, reflecting, on the one hand, the increase in staff costs, following the wage replacement occurred from July 2017, and, on the other hand, the reduction of other administrative expenses, as result from the efforts made to optimize resources and simplify structures.
- Impairment charges amounted to Euros 12 million by the end of December 2018, comparing favourably to Euros 58 million recorded in 2017, reflecting the progressive normalization of the cost of risk.
- In December 2018, loans to customers (net) totalled Euros 21,258 million, 2.3% up from the position at the end of December 2017 (Euros 20,777 million), while balance sheet customer funds increased by 8.8% in the same period, amounting to Euros 28,187 million by the end of December 2018 (Euros 25,911 million recorded in December 2017), due to the relevant increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Highlights

- 2018 was a time to strengthen some leading positions and conquests, placing Millennium bcp as the Best Bank for Companies in Portugal (BFin Data-E 2018[3]).
- Awarded in terms of image and position, the Bank was able to reach remarkable results in 2018 in the main strategic products.
- Satisfaction, repurchase and loyalty indexes of the Customers of the networks Companies, Corporate and Large Corporates presented the best results since 2001.
- As a Bank partner for the Company's investment, Millennium bcp focused its attention on the provision of financing offers within the scope of the credit lines pursuant to a protocol established with the Portuguese State (namely in partnership with the Mutual Guarantee Companies) and in strict articulation with the European Investment Bank and the European Innovation Fund, providing a comprehensive strategy of Solutions for all types of Companies, Terms and Sectors with more needs to be addressed

Business Activity

Companies and Corporate

Concerning the principal initiatives implemented in 2018, we point out the positioning of the Corporate Leadership of Millennium bcp, based on 6 business critical areas:

#1 Bank in Investment:

- BFin Data-E 2018: Millennium bcp is the #1Bank in support to investment and the prime Bank regarding the activity of the Portuguese Companies, with a market share of 20.2% ;
- Portugal 2020: while assisting companies applying for and in the making of investment projects approved in the wake of the Portugal 2020 Programme, the Bank granted new funding in the global amount of approximately Euros 539 million. It should be pointed out the compliance with the target of Euros 1 billion of accumulated financing in 2250 operations which made Millennium the Leading Bank of Portugal 2020.
- Financial Instrument for Urban Rehabilitation and Revitalisation (IFRRU): Being one of the three Banks selected to trade the IFRRU 2020, Millennium bcp ensured an ongoing presence at actions to disclose, promote and sell this instrument that allows the granting of loans under more advantageous conditions to fund urban rehabilitation and revitalisation throughout the country. Millennium bcp has been continuously carrying out actions to disclose, promote and sell this solution.

#1 Bank in Credit:

- BFin Data-E 2018: 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).
- Capitalizar Credit Line: Credit Line with a mutual guarantee that provided support, until the end of the third quarter of 2018, to more than 2.700 companies, in a global amount of approximately Euros 275 million, replaced in the meantime by the Line Capitalizar 2018 which supported, until the end of 2018, more than 800 companies in a global amount of approximately Euros 55 million;
- Millennium EIF Innovation II Credit Facility: Granting of new loans amounting to approximately Euros 147 million (accumulated) within the framework of the Line EIF Innovation, a line contracted with the Investment European Fund to provide support to innovative companies;
- Promoting factoring and confirming solutions to support companies' treasury needs, up 22% and 15% respectively by the end of 2018 vs. same period of 2017, in terms of invoices received and credit balance.
- Market leadership in factoring and leasing, according to the Leasing and Factoring Association, with a 28.9% market share of total factoring and 15.5% of total leasing (data regarding June 2018).
- Contracting of new leasing production, amounting approximately to 785 million Euros, with a 46% increase in the car solution and 32% in equipment leasing (data as of 31/December) and #1 Bank in the degree of utilization of Leasing, with a market share of 15% (BFin Data-E 2018);
- Subscription of new Lines to Support the Business Development 2018 – a new partnership with the Mutual Guarantee Companies, with a global limit of Euros 112 million; these new financing lines are to support

[3] Recognition of Millennium bcp as the Best Bank for Companies due to its leading position in the results of the Study made by DATA E "Barómetro de Serviços Financeiros 2018", in the following categories: Best Bank for companies; The Closest Bank; The most Innovative Bank, The most efficient Bank, The bank with the products that better match the Client's needs; Nr. 1 Bank in market share: as main Activity Bank; in Credit, in Support to Investment; in Exporting Companies; in Portugal 2020; in the sectors of Trade, Services and Industry; in the use of *Mobile Banking*; Bank and in the satisfaction of netMobile Customers.

the Company's treasury needs and also include leasing solutions;

- Subscription of the renewed Line for the Support of the Qualification of Offer – resulting from a partnership established with Turismo de Portugal. The limit of this Line increased by Euros 120 million. Financing of projects by SME and Large Companies for the creation and re-qualification of tourism undertakings through a co-financing granted by the Bank and Turismo de Portugal (the distribution of the financing varies in accordance with the type of project, company and its location); its term is up to 15 years and the capital grace period up to 4 years and, in general, the portion financed by Turismo de Portugal is at zero rate.

- The signing of the Line IFD-EIB – results in the subscription of the first operation made by IFD (Instituição Financeira do Desenvolvimento) in Portugal. It consists of Euros 120 million placed at the disposal of Portuguese Companies to finance projects in the areas of innovation and internationalization, namely in the following sectors: Processing industry, Tourism, Agriculture, Commerce, Services, Economy 4.0. The purpose of this new line is to attain the common goal of IFD and of Millennium bcp of financing investment projects developed by SME's and by MidCaps, allowing for the grating of financing under preferential conditions up to 12 years.

#1 Bank in Investment:

- BFin Data-E 2018: Millennium bcp is the #1 Bank of Exporters for the second consecutive year, with a market share of 22.0%, increasing in +2.5% the earnings achieved in 2017;

- Trade Finance: This business continued to record a extremely positive performance in 2018, with a 15.5% expansion in the number of new operations, meaning a total volume amounting to Euros 70 billion and a market share reaching 21.5%. The capture of new Customers for the trade finance business contributed for these figures, recording a 12% growth versus the same period in 2017. Expansion of the Customer base by means of specific actions for acquiring and and reactivating Customers in all the Bank's commercial networks, by organizing and attending events with the Customers, identifying business opportunities in the main countries where the bank operates, scheduling meetings with Customers identified therein. In terms of Collaborative Finance, the Bank developed a solution to help Portuguese companies exporting to Mozambique and new Collaborative financing solutions were developed aiming at the structuring and implementation of Ecosystems for the Customers of Millennium bcp that carry out international businesses.

#1 Bank in Proximity to Economy

- BFin Data-E 2018: Millennium bcp was distinguished as the #1 Bank in Industry, Commerce and in Services being appointed as the Bank closer to Companies, the Most Efficient Bank and the Bank with the most suitable Products;

- Reinforcement of Agrofuturo financial solutions, entering into a Cooperation Protocol with the Portuguese Farmers Confederation (CAP) and Association of Young Farmers of Portugal (AJAP). These agreements establish the preferential financial terms and conditions, namely the the granting of loans, providing bank guarantees, advancing community funds and incentives, that the Bank provides to all agents involved in the CAP and AJAP universe, namely associates and members of that Confederation and self-employed farmers.

- Increase proximity to the agricultural industry by attending the SISAB 2018 - Salão Internacional do Vinho, Pescado e do Agro-Alimentar; the 35th edition of Ovibeja and the 55th National Agriculture Fair and in Agrosemana - Feira Agrícola do Norte.

- Workshops in Coimbra, Funchal and Faro regarding "Funding for Tourism – The best solutions", together with the Portuguese Tourism Confederation (top body for tourism corporate association) within the scope of the Strategic Partnership Protocol established with Millennium bcp, so as to reinforce the Bank's presence on an activity sector that is ever more relevant for the Portuguese economy.

- Support to the charitable institutions Misericórdias Portuguesas: Promotion of the agreement signed between Millennium bcp and União das Misericórdias Portuguesas to develop the project for the qualification of communities that support elderly people (PQCAPI). The inclusion of CNIS – Confederação Nacional das Instituições de Solidariedade (Portuguese confederation of charitable institutions) in March 2018 broadened the scope of entities able of benefiting from this protocol. Development of negotiations with the EIB and the IFD to find a financing solution able of serving as an alternative to the State Guarantee. This solution is in its final stage and ready to function in 2019.

#1 Bank in Innovation and Recognition of Entrepreneurs

- Millennium bcp was, for the first time, the Leading Bank in PME Líder, being the bank that aided the highest number of companies in their application to PME Líder promoted by IAPMEI and the Bank with the highest number of distinctions attributed, reaching, for the first time, 2,000 distinctions, representing a share that exceeds 25%. This result reinforces Millennium's leading position in the support provided to companies, affirming Millennium bcp as the bank of reference in the support to enterprises.

- The 2nd edition of the Awards Millennium Horizontes was held, an initiative that aims to recognize and award the companies that stand out in the country, promote innovation and growth of Portuguese companies, recording 832 applications (more 262 than in 2017).

#1 Bank in Digital:

- BFin Data-E 2018: This leading position was also reached in digital, being the most used Bank in NetBanking, with a market share of 27.1%, alongside with the leading position in satisfaction with NetBanking, with 52.2% (+7.2% versus 2017). It also reached a leading position in Mobille Banking, with a market share of 25.4%;
- New M Corporate App with new tools: multiple authorizations for pending operations, multi device installation, login with touch ID and immediate transfers;
- Millennium bcp as partner of E-Commerce Program, an initiative from ACEPI the purpose of which is to foster the inclusion of Micro Companies and SME's, specifically local businesses, in the TPA Moove Digital Economy as a sign of innovation and a safer and swifter way to collect;
- Trading of the payment solution P@y.Me, a digital platform that has several ways to pay in the online sop of the Retailer within a totally integrated system;
- Immediate transfers in the digital channels (Corporate website and M Corporate App) offering convenience and comfort to our corporate Customers;
- Online Factoring and Confirming, 100% digital, increasing the support given to Companies by means of an integrated process, which will facilitate treasury management

Investment banking

- In 2018 Millennium investment banking ("Mib") participated in several transactions In Corporate Finance, providing financial advisory services to its Customers and to the Bank itself in activities involving the study, development and making of M&A operations, evaluation of companies, corporate restructuring and reorganization processes, as well as projects' economic-financial analysis and research. In terms of mergers and acquisitions, one must highlight the advisory services for Teixeira Duarte's sale of its stake in Lagoas Park as well as advisory to EDP on the sale of a portfolio of small scale hydro plants.
- In terms of project finance in Portugal, we highlight the closing of the refinancing of PSA Sines, Yilport Iberia, Iberwind and a portfolio of 21 mini-hydro power plants bought by Aquila Capital in Portugal, in which Millennium bcp acted as Mandated Lead Arranger, while in terms of transactions outside of Portugal, we highlight the continuation of the execution of three advisory mandates in Mozambique, two in power generation and one rail and port concession, and the origination of an advisory mandate for the development of a greenfield port in Chile.
- In what regards structured finance, the area analysed, structured, negotiated and set up new financing operations in Portugal (moulds, energy, industry, transportation, hotels and tourism, real state\, food and beverage, and others), as well as several restructuring operations for large companies and economic groups in Portugal, being particularly noteworthy in 2018 the successfully closing of acquisition finance of Violas SGPS and Etermar SGPS, and also the Lagoas Park debt refinancing under the sale / ownership change of this relevant business office centre.
- On the debt side of capital markets, note should be given to the organization, structuring and placement of the bonds issued by Saudaçor (Euros 65 million) and by the Autonomous Region of Madeira (Euros 455 million), the latter issued with Government guarantee and together with a banking syndicate, of the Portuguese Republic targeted to retail investors (OTRVs). Millennium investment banking also acted as joint lead manager and joint bookrunner to regular Portuguese corporate issuers such as REN and EDP, with the later issuing its inaugural Green Bond in 2018.
- In the equity capital markets Mib acted as financial intermediary in the Public Offerings for the share capital of EDP and EDP Renováveis launched by China Three Gorges. Market conditions were particularly harsh in the second half of 2018 and unfortunately the IPO of Sonae MC and the re-IPO of Vista Alegre Atlantis were both withdrawn before closing of the respective offer periods. At the time, Millennium investment banking was acting respectively as Retail Joint Global Coordinator and Joint Global Coordinator for such offers.
- Mention still to Mib's industry coverage, selecting the best sectors and mapping the relevant ecosystems to create and deepen relationships and maximise investment banking opportunities in coordination with the client coverage and sales teams.

Lagoas Park
MANDATED LEAD ARRANGER
Refinancing
260,000,000 €
2018
Millennium investment banking

IGCP E.P.E.
JOINT GLOBAL COORDINATOR
Floating Rate Bond Issue Due July 2027
1,000,000,000 €
2018
Millennium investment banking

ETERMAR
MANDATED LEAD ARRANGER
Acquisition Finance
Undisclosed
2018
Millennium investment banking

MOTA-ENGIL
JOINT MANAGER
Public Exchange Offers and Subscription Offer 2018-2022
110,000,000 €
2018
Millennium investment banking

Iberwind Natural Efficiency
MANDATED LEAD ARRANGER
Refinancing of Hammer II Wind Farm Portfolio
578,900,000 €
2018
Millennium investment banking

celbi
SOLE LEAD MANAGER
Bond Issue Due 2026
50,000,000 €
2018
Millennium investment banking

TEIXEIRA DUARTE
FINANCIAL ADVISORY
Financial advisory in the sale of Lagoas Park to Kildare
375,000,000 €
2018
Millennium investment banking

galp energia
LEAD MANAGER
Commercial Paper Programme
100,000,000 €
2018
Millennium investment banking

REN
JOINT LEAD MANAGER
1,75% Notes Due 2025
300,000,000 €
2018
Millennium investment banking

VIOLAS
JOINT LEAD MANAGER
Acquisition Finance of a stake in Viacer SGPS
328,000,000 €
2018
Millennium investment banking

SAUDAÇOR
LEAD MANAGER
Bond Issue Due 2023
65,000,000 €
2018
Millennium investment banking

edp
FINANCIAL ADVISORY
Financial advisory in the sale of EDP Small Hydro to Aquila Capital
164,000,000 €
2018
Millennium investment banking

TMG
LEAD MANAGER
Commercial Paper Programme
31,000,000 €
2018
Millennium investment banking

YILPORT HOLDING INC.
MANDATED LEAD ARRANGER
Financing of port concessions of Yilport Iberia in Portugal
279,806,000 €
2018
Millennium investment banking

GRUPO JAP
LEAD MANAGER
Commercial Paper Programme
20,000,000 €
2018
Millennium investment banking

farminveste SGPS, SA
SOLE LEAD MANAGER
Convertible Bonds 2018-2021
5,000,000 €
2018
Millennium investment banking

edp
JOINT LEAD MANAGER
Green Bond Inaugural 2018-2025
600,000,000 €
2018
Millennium investment banking

Região Autónoma da Madeira
JOINT LEAD MANAGER
Bond Issue Government Guaranteed Due 2022
455,000,000 €
2018
Millennium investment banking

PSA Sines
MANDATED LEAD ARRANGER
Refinancing of PSA Sines
Undisclosed
2018
Millennium investment banking

SOMINCOR
LEAD MANAGER
Commercial Paper Programme
30,000,000 €
2018
Millennium investment banking

Real estate business

- 2018 was the best year ever in sales of non-strategic assets, particularly in the sub-segment of land for construction, with the development of several initiatives: i) Partnerships with Real Estate Mediation companies specialized in assets for sale; ii) Strict monitoring of larger assets and of the results from trading strategies; iii) development of the relations established with the market and with its several agents, namely investors.
- The regularisation, repositioning and completion of real estate properties continued, aiming to render viable and speed up the sale process and to reduce the time during which the assets are owned by the Bank, together with the further development of models for the diagnosis, structuring and evaluation of real estate trade related assets.
- Regarding credit for real estate promotion, the Bank designed and implemented (i) the process in compliance with the defined risk policy, namely with the project's diagnosis models, assessment of risk and finance structuring, as well as (ii) the supporting systems and the procedural rules to provide an adequate technical support to the credit operations with origin at the commercial networks.
- Within the scope of the Financial Instrument for Urban Rehabilitation and Revitalisation (IFRRU2020) the Bank continued verifying if the financing operation proposals presented by Customers to the commercial networks meet the conditions for access and eligibility of the IFRRU2020 programme, in accordance with the regulatory framework set forth in the protocol established with the program's management entity. The bank ensured the follow-up of the execution of operations able of being made within the scope of this program, in compliance with the credit risk and framework agreed.

Interfundos

- Global sales reached Euros 169 million, corresponding to 377 real estate properties in total;
- Extension of the duration of four Real Estate Investment Funds (Inogi Capital, Imopromoção, Neudelinveste and Intercapital).
- Liquidation of 2 Real Estate Investment Funds (MR and Património).
- Execution of capital increase operations in 2 Real Estate Investment Funds (Oceanico III and Renda Predial).
- Execution of capital reduction operations in 9 Real Estate Investment Funds (Stone Capital, Inogi Capital, Gestão Imobiliária, Multiusos Oriente, Fundipar, Imorenda, Imosotto, Grand Urban and Neudelinveste).
- Transformation of 3 real estate companies held by real Estate Investment Funds into 3 Real Estate Investment Companies with fixed capital (Multi24 – Sociedade Imobiliária, SICAFI S.A., Adelphi Gere – Investimentos Imobiliários, SICAFI S.A. and Monumental Residence–Investimentos Imobiliários, SICAFI S.A.).
- In 2018, the volume of assets of the 35 OIIs managed by Interfundos reached Euros 1,356 million.

International

- Launching of the Bank's subscription to the service Global Payment Innovation (GPI) from SWIFT, which introduces a substantial improvement in the experience of Customers with international relations. This service, located in the cloud, allows all those who are part of a series of payments to have access in real time to the transactions' tracking, the funds are made available more swiftly and all receive information on the costs and on the foreign exchange rates involved in the transaction.
- Signature of a Clearing and Settlement of Renminbi Business agreement with the Bank of China Macau, the bank appointed by the Central Bank of China as the RMB settlement bank for Portuguese speaking countries. This agreement turns Millennium bcp into the first bank in Portugal to be considered a Participating Bank with access to Macau's payments system, which will enable making RMB payments under the best conditions, with advantages to both companies and individuals. Afterwards a tripartite agreement was signed between the Monetary Authority of Macau, the Bank of China (Macau Branch) as Clearing Bank and Millennium bcp as an indirect participant in the payment system.
- Signing of the Memorandum of Understanding with the Industrial and Commercial Bank of China (ICBC), renewing and reinforcing cooperation between the two institutions on all the countries where they operate, especially focused on countries part of the Chinese Belt and Road Initiative (BRI).
- Negotiation of a credit facility to provide funding to the government programme for efficient housing called Casa Eficiente, which gave access to funds from the European Investment Bank totalling Euros 25 million to finance energy efficiency projects under more favourable conditions.
- We must also highlight the contracting of other lines addressed to entrepreneurial segments and specific projects:
  - EIF- InnovFin: signature of a Euros 200 million portfolio guarantee agreement with the European Investment Fund to support Innovation projects. This agreement foresees using Euros 400 million for 2 years.
  - EIF COSME Loan Guarantee Facility: signature of a Euros 500 million contract, for 2 years term, being BCP the 1st bank in Portugal to have this EIF instrument. Its purpose is to finance Customers with higher risk.
  - IFD Linha Capitalizar Mid Caps: signature of an agreement with instituição Financeira Desenvolvimento (IFD) for a credit facility to finance SMEs and MidCaps, in accordance with the defined eligibility conditions, with

extended terms and in the global amount of Euros 60 million.

- In terms of international custodian services, the Bank reinforced its position as a national reference player, recognized by its Customers and peers, for the quality and competitiveness of the services provided. This positioning resulted in a substantial increase in business with Risk Capital Funds (acting as depositary bank) and in institutional custodian services, both with domestic and international counter parties.

Income

Million euros

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	31 Dec. 18	31 Dec. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	280	281	-0.3%
Other net income	145	141	2.4%
	425	422	0.6%
Operating costs	127	117	8.9%
Impairment (excluding the impairment related to NPE at the beginning of the year)	113	108	4.6%
Income before tax (excluding impairment charges for NPE at the beginning of the year)	185	198	-6.5%
Impairment charges for NPE at the beginning of each year	341	329	3.3%
Income before tax	(156)	(132)	17.9%
Income taxes	(50)	(40)	24.1%
Income after tax	(106)	(92)	15.1%
SUMMARY OF INDICATORS			
Allocated capital	1,075	1,023	5.1%
Return on allocated capital	-9.9%	-9.0%	
Risk weighted assets	10,018	9,201	8.9%
Cost to income ratio	30.0%	27.7%	
Loans to Customers (net of impairment charges)	13,093	13,527	-3.2%
Balance sheet Customer funds	7,884	8,178	-3.6%

Notes:

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

Companies, Corporate and Investment Banking segment in Portugal posted losses of Euros 106 million in December 2018 (losses amounting to 92 million Euros in 2017), reflecting the requirements imposed by the Bank's Non-Performing Exposure reduction plan, leading to the maintenance of high levels of impairment in this segment, whose performance is globally explained by the following changes:

- Net interest income stood at Euros 280 million in December 2018, in line with Euros 281 million recorded in 2017, resulting, on the one hand, from the decrease in the return on the loan portfolio due to the low interest rates environment and the lower credit volumes and, on the other hand, the positive impact arising from the reduction of the cost of funding.

- Other net income reached Euros 145 million in December 2018, increasing 2.4% from Euros 141 million accounted in 2017, more than offsetting the lower level of net interest income.

- Operating costs totalled Euros 127 million by the end of December 2018, 8.9% up from December 2017, which includes the impact of the increase in staff costs due to the wage replacement.

- Impairment charges stood at Euros 454 million in December 2018, 3.6% up from Euros 437 million recorded at the end of December 2017, affected by the high deleveraging of Non-Performing Exposures occurred during the year.

- As at December 2018, loans to customers (net) totalled Euros 13,093 million, 3.2% lower compared to the position existing in December 2017 (Euros 13,527 million), mostly reflecting the effort made to reduce the Non-Performing Exposures. Balance sheet customer funds reached Euros 7,884 million, comparing to Euros 8,178 million recorded in 2017, explained by the decrease in customer deposits.

PRIVATE BANKING

Highlights

- Sustained growth of the Customer base as a result of the provision of a service that is widely recognized by current Customers.
- Focused on the capture and monitoring of non-resident Customers with address in Portugal.
- Focused on increasing the assets deposited with the Bank via new Customers and an increased involvement with the current ones.
- A business model that matches the Customers' needs and guarantees a correct balance between profitability and efficiency.
- Opening of a new Private Banking Unit in Aveiro.

Business Activity

- The bank continues to manage the Customers' assets with the maximum rigour and professionalism, providing a service based on diversification principles - classes of assets, geographical regions and activity sectors – and on the degree of expertise of the asset managers it recommends.
- The financial advising services, management of portfolios and the customized follow-up contributed for a truly distinctive and robust value proposal in the Private Banking segment.
- Increase in relational marketing actions at sports, cultural and economic events, notably the concert, exclusive for Private Banking Customers in Aveiro and in Lisbon, the Millennium Estoril Open, the Rolex Cup, and the Festival ao Largo Millennium 2018.
- Launching of a Concierge and Life Style Management service, giving Private Banking Customers access to unique experiences all over the world: Private Customers regularly receive information regarding events that occur world wide and they can make reservations, purchase tickets to non-public events or sold out at ticket offices, or even get a table at a restaurant with a month long waiting list.
- In accordance with MiFID II and the regulatory recommendation from CMVM, we point out the ongoing training acquired by the commercial teams and the development of tools enabling to ensure the making of a decision by the Customers.
- Millennium bcp was elected “Best Private Banking” in Portugal by The Banker, a publication of the Financial Times specialized in financial services; This award, within the scope of the Global Private Banking Awards 2018, translates the success of Millennium bcp's Private Banking operation, based on a consolidated business model with impact on the income recorded by the Bank.

Income

Million euros

PRIVATE BANKING	31 Dec. 18	31 Dec. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	11	16	-31.8%
Other net income	27	24	15.0%
	38	40	-4.5%
Operating costs	18	15	14.1%
Impairment	-	4	-102.3%
Income before tax	20	21	-1.1%
Income taxes	6	6	5.6%
Income after tax	14	15	-3.9%
SUMMARY OF INDICATORS			
Allocated capital	59	47	25.9%
Return on allocated capital	23.9%	31.3%	
Risk weighted assets	534	470	13.6%
Cost to income ratio	46.1%	38.6%	
Loans to Customers (net of impairment charges)	232	304	-23.8%
Balance sheet Customer funds	2,053	1,786	14.9%

Notes:

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

From a geographic segmentation perspective, income after tax from Private Banking business in Portugal totalled Euros 14 million in December 2018, 3,9% down comparing to Euros 15 million recorded in 2017, mainly due to the unfavourable performance of banking income and higher operating costs, despite the negligible impact of impairments. Considering the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 38 million in December 2018, 4.5% down from the previous year (Euros 40 million). Other net income rose to Euros 27 million in December 2018, showing a relevant increase in comparison with Euros 24 million obtained in December 2017, mainly driven by the higher volume of income arising from commissions, which were insufficient to cover the lower level of net interest income (Euros 11 million in December 2018, comparing to Euros 16 million euros in December 2017), penalized, namely by the lower income arising from the internal applications of the excess of liquidity.
- Operating costs amounted to Euros 18 million in December 2018, increasing 14.1% over the same period of last year (Euros 15 million) mainly influenced by the impact of the salary replacement in the staff costs, since July 2017.
- Impairment charges (net) were practically nil in 2018, comparing to impairment charges of Euros 4 million recorded at the end of December 2017.
- Loans to customers (net) amounted to Euros 232 million by the end of December 2018, showing a decrease of 23.8% compared to figures accounted in the previous year (Euros 304 million), while balance sheet customer funds grew 14.9% during the year, from Euros 1,786 million in December 2017 to Euros 2.053 million in December 2018, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Highlights

- The highest annual net income ever recorded by Bank Millennium: Euros 178.4 million (+11.7%), with a 9.6% ROE.
- Net income amounting to Euros 6.7 million (+3.7%), recorded by Millennium Banque Privée in 2018, with a 8.9% ROE.
- Net income of Euros 94.2 million (+10.6%) with a 22.2% ROE recorded by Millennium bim.
- Net income amounting to Euros 4.5 million, recorded by Millennium bcp Bank & Trust in 2018, with a 1.4% ROE.

Business Activity

Poland

- The highest annual income ever recorded by Bank Millennium: Euros 178.4 million (+11.7%), with a 9.6% ROE.
- Banking product grew 6.1%, driven by the increase in net interest income (+8.1%).
- Customer funds increased 12.2% and the credit portfolio increased 17.7%, excluding mortgage loans in foreign currency.
- CET1 ratio of 21.9% and total capital ratio of 23.8%, including 2018 earnings.
- Issue of Tier 2 debt in the amount of 830 million zlotys on 30 January 2019 to reinforce the total capital ratio in 230 b.p.
- The purchase of eurobank, which will be completed in the 2nd quarter of 2019, strengthens the bank's presence outside major cities, increases the market share in terms of non-mortgage credit to individuals and enhances earnings by 26%, after materialisation of synergies.
- The NPL>90d ratio represented 2.5% of total loans on 31 December 2018 (2.8% on 31 December 2017).
- Coverage of NPL>90d by provisions stood at 133% (109% on 31 December 2017).
- Reduction in the cost of risk to 48 b.p. (54 b.p. In 2017).

Switzerland

- Net income of Euros 6.7 million, in 2018 (+3.7%) with a 8.9% ROE.
- Banking product grew (7.1%), driven by the increase in net interest income (+22.6%). Fees remained stable at Euros 23.1 million.
- Operating costs expanded 8.5% to Euros 22.7 million, mainly due to costs associated with recruitment to support the implementation of the Bank's expansion strategy.
- Total customer funds remained stable at Euros 2.9 billion.
- Total customer funds increased 31.7% and the credit portfolio expanded 23.8%.

Mozambique

- Net income of Euros 94.2 million (+10.6%), with a 22.2% ROE.
- Banking product grew 7.8%, driven by the increase in net interest income and other profits.
- Customer Funds increased 11.1%, with a reduction in the credit portfolio (-16.8%) showing a conservative approach given the challenging environment.
- Capital ratio of 39.0%.
- NPL>90d ratio of 16.4% on 31 December 2018, with a 69% coverage on the same date.
- Continuance of an intense provisioning, translated in a cost of risk of 431b.p. (295 b.p. in 2017).

Macao

- Net income of Euros 11.8 million (+1,0%). This good performance resulted mainly from the increase in gains with financial operations that more than offset the reduction in net interest income, which was adversely influenced by narrower spreads in re-financing operations.
- In December 2018, customer funds stood at Euros 531 million (-21.2%) and gross loans reached Euros 412 million (+21.3%).
- The Branch acted as a support platform for Portuguese companies doing business in Macao.
- Trade finance operations to support Portuguese companies with exports to and/or imports from China;
- Attracting Angolan trade companies that have international trade operations with China.
- Support to Chinese Customers who apply to the golden visa and to Customers with investments in real-estate in Portugal.
- Increase the contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.
- Counterparty in trust deposit transactions of Millennium Banque Privée.

Cayman islands

- Net income of Euros 4.5 million, with a 1.4% ROE.
- Net operating revenues grew, boosted by the significant rise in trading earnings which were slightly positive in 2018.
- By the end of 2018, Customer funds of Millennium bcp Bank & Trust stood at 23 million Euros and gross loans reached 14 million Euros.

Income

Million euros

FOREIGN BUSINESS	31 Dec. 18	31 Dec. 17	Chg. 18/17
PROFIT AND LOSS ACCOUNT			
Net interest income	616	574	7.4%
Other net income (*)	253	262	-3.7%
	869	836	3.9%
Operating costs	386	367	5.3%
Impairment	90	138	-34.8%
Income before tax	393	331	18.4%
Income taxes	88	84	3.0%
Income after income tax	305	247	23.7%
SUMMARY OF INDICATORS			
Allocated capital	1,496	1,390	7.6%
Return on allocated capital	20.4%	17.8%	
Risk weighted assets	12,177	11,293	7.8%
Cost to income ratio	44.4%	43.9%	
Loans to Customers (net of impairment charges)	13,319	12,502	6.5%
Balance sheet Customer funds	17,685	16,007	10.5%

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

In terms of geographic segments, income after tax from Foreign Business stood at Euros 305 million in December 2018, reflecting a 23.7% growth compared to Euros 247 million achieved in 2017. This positive evolution is explained by the favourable performance of the net interest income and impairment, despite the lower other net income and higher operating costs.

Considering the different items of the income statement, the performance of Foreign Business can be analysed as follows:

- Net interest margin stood at Euros 616 million in December 2018 which compares to Euros 574 million achieved in 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 6.3%. Additionally, if the foreign exchange effects were also excluded, the increase would have been 6.5%, reflecting the positive performance of the subsidiaries in Poland and Mozambique.
- Other net income decreased 3.7%. Excluding foreign exchange effects, other net income increased 2.4%, benefiting from the higher contribution of Banco Millennium Atlântico and from the positive performance presented by the Mozambican subsidiary.
- Operating costs amounted to Euros 386 million in December 2018, 5.3% up from the previous year.

Excluding foreign exchange effects, operating costs would have risen 5.7%, mainly influenced by the operations in Poland and Mozambique.

- Impairment charges in 2018 decreased 34.8%, compared to figures from the same period of 2017. Excluding the positive impact arising from the application of IAS 29 on Banco Millennium Atlântico, the reduction would be 21.2%. Considering also the foreign exchange effects, it would have reduced 21.0%, mainly caused by the subsidiary in Poland.
- Loans to customers (net) stood at Euros 13,319 million, overcoming the position attained in December 2017 (Euros 12.502 million). Excluding foreign exchange effects, the loan portfolio increased 9.2%, since the growth achieved by the Polish subsidiary was slightly mitigated by the contraction of credit volumes booked in Mozambican subsidiary.
- The Foreign business' balance sheet customer funds increased 10.5% from Euros 16,007 million Euros reported as at 31 December 2017 to Euros 17,685 million as at 31 December 2018, mainly driven by the performance of the Polish subsidiary, namely by the increase of customer deposits. Excluding the foreign exchange effects, balance sheet customer funds increased 13,1%.

BANCASSURANCE BUSINESS

Sale of Insurance throught the banking channel

In 2018, with the purpose of providing a service of excellence to Customers, the Group continued to pursue on-going projects and launched new initiatives to keep its leading position in the sale of insurance through a banking channel (Bancassurance), of which we highlight projects such as "Silver", "Ocentrix" and "Associated Sale".

The population ageing trend and the underlying change of habits were addressed by creating the "Silver" project, which is focused on the development of protection solutions, financial and non-financial, specifically designed for this business segment that is expected to be of paramount importance in the Portuguese economy.

In what regards the "Ocentrix" project, important improvements were registered to improve customer experience throughout the process, including having an incident assistant available to help Customers in processes in which the insurance company is not involved (i.e. a process between the Customer and the other party's insurance company). By keeping its strategic focus on operational excellence, the Bank also launched together the "Associated Sale" project that has as its main goal to increase efficiency and simplicity of existing processes.

From a commercial performance standpoint, the Life Insurance business recorded a production amounting to Euros 1.374 million, 4.1% down versus 2017, mainly due to the negative performance of unit linked, especially closed ones, affected by low market rates. However, capitalisation insurance and retirement savings products showed a very positive performance, growing 122.3% and 84.7% respectively, from 2017.

The operating performance and technical margin strenght of the life operation enabled achieving a contribution of Euros 35.3 million of net income for Millennium bcp, an amount similar to the one recorded in 2017.

In the Non-Life business, the strong focus of the commercial networks of Millennium bcp permitted an 8.1% increase in new business, if compared with the same period in 2017, strengthening its leading position in non-life insurance in the bancassurance channel with a market share of 35.9%.

This performance was driven by some initiatives, such as the expressive multimedia campaign from Médis, as a result of the rebranding and by other commercial campaigns which contributed positively for the Retail network and the corporate network earnings, which, if compared with the same period in 2017, increased 7.5% and 13.0%, respectively.

Main indicators	2018	2017	Variation
Market Share - Premiums			
Life Insurance	16.9%	20.2%	-3.3 p.p.
Non-Life Insurance	7.2%	7.2%	0 p.p.
Market Share– Premiums in Bancassurance			
Life Insurance	20.6%	24.7%	-4.1 p.p.
Non-Life Insurance	35.9%	35.3%	+0.6 p.p.

Strategy

Strategic Plan 2018-2021

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 of multiple achievements, such as a higher than 40% cost reduction in Portugal since 2011, and a 59% reduction in Group NPE since 2013 (from Euros 13.7 to Euros 5.5 billion in 2018). 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 China related 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 (reduction to Euros 3 billion 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 million active Customers[4]), readiness for the future (from 45% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

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

In 2018 important advances have been accomplished In the strategic dimensions of the plan

Talent Mobilization	Involvement in the new strategy	New ways of working, more collaborative	Reinforcement of meritocracy	Developing skills for the future	Recognition and reward for success
Mobile-centric digitization	**App** + Simple and intuitive + Customized + Secure + Consistent Ensuring smooth navigation and customization of experience	**Redesign** of the main journeys of the client	**Transformation** of operations through technologies of new generation	More convenient and productive **Omni channel model**	**IT strategy** for the challenges of the future
Growth and leadership in Portugal	**Results 2018** Profit 115.5 M €, tripling the previous year	**Business Dynamics** Increase of 1.1 b € in loans (+ 3.7%) and 2.4 b € in customer funds (+ 4.6%)	**Customer Recognition** Increase in the number of clients (+131 thousand)		
Growth in international footprint	**Contribution to the result** Growth of ≈28% reaching 187 M € (62% of the consolidated result attributable to the Bank)	**Acquisition of eurobank** Excellent growth opportunity in Poland, through an operation with high complementarity and synergies with Millennium Bank			
Business model sustainability	**Governance model** New corporate bodies Reinforcement of governance model of internal control Model of functioning of specialized committees	**Rating** Upgrades of BCP by S&P, Fitch and Moody's	**Stress Test** Good performance of Millennium bcp, surpassing the average of the 48 European banks tested by EBA	**Asset Quality** Reduction of NPL ratio (EBA) to 7.6% and reinforcement of total coverage to 109% Reinforcement of CET1 to 12% and total capital ratio to 14.5% after issuance of 400 M € in AT1	

		2018	2021
Franchise growth	**Total active Customers***	4.9 million	>6 million
	Digital customers	55%	>60%
	Mobile customers	34%	>45%
Value creation	**Cost-to-income**	47% (46% without non-usual items, € 26.7 million related to restructuring charges related to staff)	≈40%
	ROE	5.2%	≈10%
	CET1	12.0%	≈12%
	LTD	87%	<100%
	Dividend payout	10% EC proposed to the Board of Directors to approve a proposal to submit to the GM	≈40%
Asset quality	**NPE stock**	€5.5 billion	€3.0 billion
	Cost-of-risk	92 bp	<50 bp

* Clients categorized under the Strategic Plan 2018-2021.

Risk and Outlook

Internal Control System

The internal control system is the set of principles, strategies, policies, systems, processes, rules and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the supervision authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and Customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, shareholders, employees and supervisors.

In order to achieve these objectives, the internal control system is based on the Compliance function, the risk management function and internal audit function, which are exercised by centralised divisions and operate transversally across the Group. The Heads of these three divisions are appointed by the Bank's Board of Directors, with the favourable opinion of the Committee for Nominations and Remunerations, which approves their technical and professional profiles as appropriate for the function at stake.

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a ‘check and balance’ system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and also by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their efficiency;
- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;
- An effective monitoring and correction process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action; and
- Strict compliance with all the legal and regulatory provisions in force by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management bodies, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the banking, financial, insurance and brokerage (of securities or derivatives) activities.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The internal control system includes the following subsystems: the risk management system, the information and reporting system and the internal control monitoring system.

The risk management system corresponds to the series of integrated and permanent processes which enable the identification, assessment, monitoring and control of all material risks, derived internally or externally, to which the Group's institutions are exposed, in order to keep them at levels that are predefined by the management and supervisory bodies, and take into consideration risks related to credit, markets, interest rates, exchange rates, liquidity, compliance, operating, information systems, strategy and reputation, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant.

This system is suitably planned, reviewed and documented and is supported by risk identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The information and reporting system ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institutions and its subsidiaries, in accordance with the rulings and policies issued by the Executive Board of Directors.

The monitoring process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, namely through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

Within this context, the internal audit function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments.

These subsystems of the internal control system are managed by the Risk Office and Compliance Office in terms of risk management and by the Planning, Research and ALM Division, the Accounts and Consolidation Division and the areas responsible for accounting in the different subsidiaries, for information and reporting.

The activity of the Risk Office is transversal across the Group and includes the coordination of the local risk management structures. The activity of the Compliance Office is also transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Accounting and Consolidation Division and the Planning, Research and ALM Division receive and centralise the financial information of all subsidiaries. The Audit Division is responsible for the on-site monitoring of the internal control system, performing this duty transversally.

The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of an accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- The identification and control of the intra-Group operations;
- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
	ENVIRONMENT			
Regulatory	▪ Risks associated to products related to the conversion of the credits into Swiss francs in Poland ▪ Regular practice of conducting Stress Tests by the ECB ▪ Absence of fiscal framework for the IFRS 9 transition ▪ European Commission and ECB guidelines on NPL provisioning ▪ EBA's guidelines on IRB models	**Medium**	↔	▪ Total CET1 requirements in 2019: 9.625% ▪ Disclosure of LCR, NFSR and Leverage ratio ▪ Most guidelines have already been translated into our risk models, which, pursuant to continuous dialogue with the ECB, have become very conservative when compared with most banks in Europe ▪ 55% RWA density
Sovereign	▪ Trade war between USA and China ▪ Economic slowdown in the Euro Area and Portugal ▪ Brexit ▪ Low interest rates and compression of the spread for active interest rates ▪ High indebtedness of public and private sectors ▪ Exposure to Portuguese and Mozambican and Angolan sovereign debt ▪ Exposure to credits held by Mozambican entities ▪ Angola was considered an economy undergoing hyperinflation	**High**	↔	▪ Recovery of profitability limited by the low nominal interest rates and by the low potential growth ▪ Still high level of NPE ▪ Lower funding costs ▪ Future regularization of the ECB's monetary policy leads to pressure on public debt yields but the increasing steepness of the interest rates curve favours the banks' profitability
	FUNDING AND LIQUIDITY			
Access to WSF markets and funding structure	▪ Conditions in WSF/MMI markets and progressive replacement of the funding obtained from the ECB by funding obtained in the IMM/WSF ▪ Incentive to the placement of financial instruments with Retail investors ▪ Cost of funding related to the need to comply with MREL requirements ▪ Continuation of the deleveraging process by the internal economic agents versus growth of loans	**Low**	↓	▪ Balance sheet customer deposits and funds paramount in the funding structure ▪ Credit portfolio may continue to contract as a result of the NPE stock decrease ▪ Need for access to the financial markets to meet MREL requirements, although the gap is manageable
	CAPITAL			
Credit risk	▪ Still high NPA stock ▪ Execution Risk of the NPA Reduction Plans, including CRFs ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Exposure to emerging countries strongly dependent on commodities	**High**	↔	▪ Impact on capital ratios demand on the SREP from high level of NPE ▪ Need to decrease the workout time, for both loans and/or companies ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Market risk	▪ Volatility in capital markets	**Low**	⟷	▪ Market uncertainty ▪ Central Banks monetary policies ▪ Profitability of the assets of the pension fund ▪ Lower trading income
Operational risk	▪ Inherent to the Group's business	**Low**	⟷	▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Data base security ▪ Business Continuity
Concentration risk	▪ Concentration of assets of some size	**Medium**	⟷	▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	▪ Inherent to the Group's business ▪ Incentives to place financial products that enable recovery of profitability, not matching the Customers' risk profile or needs	**Medium**	⟷	▪ Possible complaints from Customers ▪ Possible sanctions or other unfavourable procedures resulting from inspections ▪ Unstable regulatory framework applicable to financial activities ▪ AML and counter terrorism financing rules
Profitability	▪ Low nominal interest rates ▪ Banks' obligation to fully reflect the negative value of the Euribor in mortgage loans rate ▪ More limited space to increase spreads on term deposits in new production ▪ Regulatory pressures on fees ▪ Increase of the coverage of problematic assets by impairments ▪ Exposure to emerging markets, including countries specifically affected by the fall in the commodities price ▪ Fintech competition	**Medium**	⟷	▪ Negative impact on the financial margin: price effect, volume effect and past due credit effect ▪ Need to continue to control operating costs ▪ Keeping adequate hedging of problematic assets by provisions ▪ Reformulation of the business model and digital transformation

Risk management

Framework

Risk appetite

The BCP Group carries out its business activities in a controlled, prudent and sustained manner, based at all times on the adequacy and compatibility between the objectives set for the business and the levels of risk tolerance defined in terms of sustainability and profitability of the business, in the long-term.

Thus, the Group establishes controls and limits on the material risks to which its activities are subject, based on its “Risk Appetite Statement” (RAS) which concurs in a relevant way for a posture of prudence and sustainability of the business, in view of its profitability, as well as the satisfaction of the different stakeholders: shareholders, customers and employees.

The RAS is composed by a set of 40 indicators considered of fundamental importance and representative of several risks classified as "material" within the formal risks’ identification and quantification process, carried out at least once a year. For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is acceptable and from which corrective measures must be taken immediately (in order to that the level of risk regained to an acceptable level) and a 'level of breach’, which requires immediate measures with significant impact, aimed at correcting a risk situation considered unacceptable.

Stemming from the RAS indicators, other lower-level indicators (and respective limits) are established, with a higher level of granularity, ensuring a more detailed monitoring, appropriate for a day-to-day approach to the risks’ control of business processes, based on specialised metrics and with marked technical nature. All risk limits are approved by the competent Governance bodies defined in the internal regulations’ documents and are periodically reviewed and updated.

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors of BCP: based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, specifically identified, in order to address the mitigation or control of all material risks identified within the risks’ identification and assessment process. These lines of action formally constitute the Group's Risk Strategy.

Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified as "material" within the risks identification process.

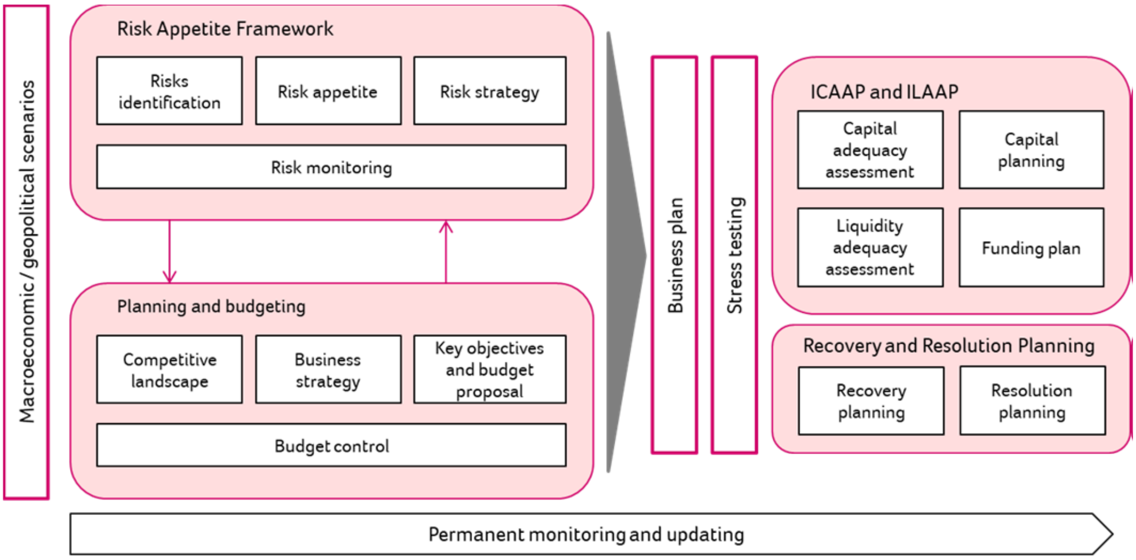
Integration between the business and risk management

The risk appetite structure - which includes the identification of material risks, the RAS and the Risk Strategy and is reviewed at least once a year (or whenever the quarterly risks monitoring concludes that there are new material risks) - provides a reference framework for the permanent monitoring of risks affecting the business and business support activities developed, for the monitoring of all variables, indicators and respective limits that are derived from RAS. Therefore, the permanent follow-up based on this structure is the result of a strong link between the risk management framework thus defined and the great diversity of methods and indicators applicable to the various activities carried out, this link being essential for the performance of the Group's risk management.

In addition, there is an interaction, in both senses, between the definition of the Group's risk appetite structure and its business objectives, represented in the business planning and budgeting. Thus, the risk appetite structure both conditions and is conditioned by the environing business objectives, just as much as the latter also influence and are influenced by the framework and limits of the risk appetite.

In its turn, the business objectives and risk appetite structures are the foundations for all activities and lines of business developed, also setting out the global controls on the Group's financial strength, such as the stress tests and the internal processes to assess capital and liquidity adequacy (ICAAP and ILAAP).

The following figure summarises the relationships described above, providing a graphic representation of the integration of risk management within the scope of the business developed by the BCP Group.



[1] Risk Appetite Framework
[2] Internal Capital Adequacy Assessment Process
[3] Internal Liquidity Adequacy Assessment Process
[4] Recovery and Resolution Planning

Internal control

The Risk Management function is an integral part of the Group's Internal Control System (SCI), along with the Compliance and Internal Audit functions, unequivocally contributing for a solid control and risk-limiting environment upon which the Group carries out its business (and business support) activities.

Within the SCI, the Risk Management and Compliance functions form the Group's Risk Management System (SGR), which materialises in an integrated and comprehensive set of resources, standards and processes that ensure an appropriate framework to the nature and materiality of the risks underlying the activities carried out, so that the Group's business objectives are achieved in a sustainable and prudent manner

In this sense, the SCI and the SGR provide the Group with the ability to identify, evaluate, monitor and control the risks - internal or external - to which the Group is exposed, in order to ensure that they remain at acceptable levels and within the limits defined by the management body.

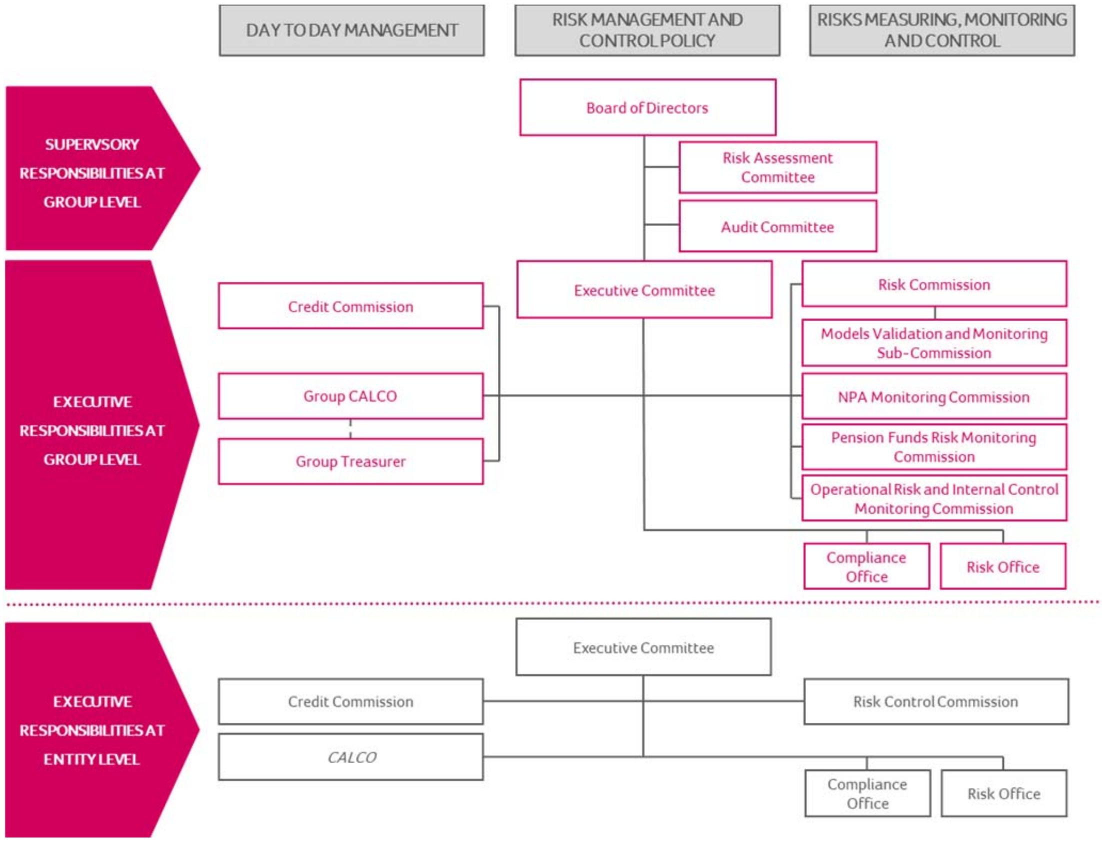
Thus, the SGR embodies the second line of defence in relation to the risks that impend over the Group's capital and liquidity. Under this approach, the first line of defence is ensured, on a day-to-day basis, by all the Group's organizational units - based on adequate training and awareness of risks, as well as on the framing of activities through a complete and detailed regulations' structure - while the third line of defence is developed through the internal supervision/internal review function (IRF) ensured by the Internal Audit function.

It should also be mentioned that the SCI:

- Is supported by an information and communication system that ensures the collection, processing, sharing and disclosure – both internal and external - of relevant, comprehensive and consistent data about the business, the activities carried out and the impending risks on the latter, in a timely and reliable way. This data processing and management information infrastructure is aligned with the principles of the Basel Committee with respect to efficient aggregation of risk and risk reporting data (BCBS 239 - Principles for effective risk data aggregation and risk reporting);
- Is continuously monitored by the Group, the insufficient internal control situations being registered - under the form of recommendations/ deficiencies or improvement opportunities – for correction/elimination and regulatory reporting.

Risk management Governance

The following figure represents the SGR's Governance, as at 31/12/2018, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision.



The composition, capacities and responsibilities of the management and supervision bodies that intervene in the risk management governance - besides those of the Board of Directors (BoD) and its Executive Committee (EC) – are the following:

Risks Assessment Committee

The Risks Assessment Committee is composed of four non-executive Directors and has the following capacities:

- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD;
- Monitoring the evolution of the RAS metrics, verifying their alignment with defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities;
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analysing and approving the conclusions of the regular follow-up on these processes;
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

Within the resolution planning, the Risks Assessment Committee approves its annual work plan and monitors its execution.

The Risk Officer functionally reports to this Committee and participates in its meetings, presenting the evolution of the key risk metrics and indicators, as well as all incidences, changes and evolutions relative to the SGR.

Audit Committee

The BoD's Audit Committee is composed of three non-executive directors. Within the risk management governance, this Committee has global corporate supervising capacities - e.g. in what concerns the risk levels follow-up - as well as those that are attributed within the SCI, namely:

- Supervising and controlling of the SGR's and the SCI's effectiveness (and, also, of the Internal Audit System);
- Analysing and regularly following-up of the financial statements and the main prudential indicators, the risk reports prepared by the Risk Office, the Compliance Office's activity, the handling of claims and complaints and the main correspondence exchanged with the supervisory authorities;
- Issuing of a prior opinion concerning the entity defined by the Bank to assess the adequacy and effectiveness of the SCI.
- The Audit Committee holds regular meetings with the Heads of the Audit Division, the Risk Office and the Compliance Office.
- The Risk Officer participates in this Committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the SGR, issued within the scope of internal control or by the supervisory/regulatory authorities.

Risk Commission

This EC committee is responsible for defining, at an executive level, the framework and the risk management policies and instruments within the Group, establishing the respective principles, rules, limits and practices for the Group Entities, taking into account the defined risk thresholds.

The Risk Commission monitors the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the Group, ensuring that the risk levels are compatible with the goals, available financial resources and strategies that have been approved for the development of the Group's activity. This Commission also validates the compliance of risk management with all the applicable laws and regulations.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the EC members responsible for the Corporate/Investment Banking and the Retail business (Chief Corporate Officer/CCorpO and Chief Retail Officer/CRetO, respectively) are members of this Commission.

Other members of the Commission are the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Treasury, Markets and International (DTMI), Credit (DCR), Rating (DRAT), Models Validation and Monitoring Office (GAVM) and Regulatory and Supervision Monitoring Office (GARS). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

NPA(*) Monitoring Commission

This EC Commission has the responsibility of monitoring the evolution of credit risk, under various aspects:

- Monitoring of the NPA Reduction Plan, including its operational scope and the fulfilment of the quantitative goals assumed; besides the NPE reduction, the Commission also monitors the disinvestment process of the real estate portfolio and other assets received in lieu of payment as the result of credit recovery processes (foreclosed assets) and other non-performing assets;
- Analysis of the credit recovery processes' performance;
- Portfolio's quality and main performance and risk indicators;
- Impairment, including the main cases of individual impairment analysis.

The CEO, the CRO, the CRetO and the COO are members of this Commission, as well as, optionally, the CFO. The Heads of the following Divisions are also members of this Commission: Risk Office (ROFF), DCR, DRAT, Specialised Monitoring (DAE), Retail Recovery (DRR), Specialised Recovery (DRE), Legal Advisory and Litigation (DAJC), Management Information (DIG) and Specialised and Real-Estate Credit (DCEI). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

(*) Non-performing assets.

Pension Funds Risk Monitoring Commission

This EC commission has the following competences:

- Assessing the performance and risk of the Group's Pension Funds in Portugal;
- Establish, for those, the appropriate investment policies and hedging strategies.

The Commission members are the CEO, the CFO, the CRO and any other members of the EC that wish to participate in the Commission's meetings. The other Commission's members are the Heads of the following Divisions: ROFF, Research, Planning and ALM (DEPALM), Wealth Management (DWM) and Human Resources (DRH). Representatives of the Pension Funds management entity and of Ocidental Pensões also participate in the Commission's meetings, by invitation and without voting rights.

Internal Control and Operational Risk Monitoring Comission(*)

This EC Commission is responsible for defining the operational risk management framework and for ensuring its enforcement at the Group's operations. It also has monitoring functions of all matters related to operational risks, to the SCI and to IT and outsourcing risks. Furthermore, this Commission has the responsibility for promoting and radiating a control and awareness culture concerning the operational risks.

The permanent members of this Commission are the CRO and the COO. The other EC members may take part in this Commission's meetings if they so do wish. The remaining members of the Commission are the Risk Officer, the Compliance Officer and the Heads of the IT Division (DIT) and of the Operations Division (DO). Depending on specific matters of processes to be addressed by this body, the respective macro-process owners may participate in the Commission's meetings. The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

Credit Commission

This body stems from the EC and its functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by internal regulation ('Credit Granting, Monitoring and Recovery'). This commission also issues advisory opinions on credit proposals from subsidiary Group entities.

The members of this Commission are the CEO, the CFO (optional), the CCorpO, the CRetO, the CRO and the COO (optional), as well as the Heads of DCR, DAJC and DRAT, the level 3 credit managers, two members of the subsidiaries' Credit Commissions (whenever proposals originated in those entities are analysed) and the coordinating managers of the proposing areas. The Company's Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights.

Group CALCO

The Group CALCO - also referred to as the Capital, Assets and Liabilities Management Commission - is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO is responsible for the structural management of interest rate and liquidity risks, including, among others, the following aspects:

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level;
- Definition of the capital allocation and risk premium policies;
- Definition of transfer pricing policy, in particular with regard to liquidity premiums;
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan;
- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition;

(*) This Commission merged with the Compliance Commission at the beginning of the second quarter of 2019, adopting the designation "Compliance and Operational Risk Committee", the CEO, the CRetO, and the head of the Quality and Network Support Division (DQAR) becoming members of this Commission. The AML Officer and the Compliance Division managers responsible for matters under discussion are also members of this Committee, without voting rights.

- Definition of the investment policy of the Investment Portfolio and monitoring of its performance;
- Definition of the strategy and positioning within the scope of the interest rate risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.
- The Group CALCO meets every month and is composed of the following executive Directors: CEO (optional), CFO, CCorpO, CRetO, CRO and COO (optional). The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG and DTMI, the responsible for the ALM Department of DEPALM and 2 representatives nominated by the Retail and the Corporate & Investment Banking Commissions.

Risk Office

The Risk Office (ROFF) is the structure unit responsible for the risk control function at Group level, promoting the overall alignment of concepts and procedures concerning risk monitoring and assessment. The ROFF is responsible for informing the Risks Assessment Committee and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk;
- Proposing and implementing a set of metrics for the different types of risk;
- Coordinating the NPA Reduction Plan;
- Ensuring the existence of a body of rules and procedures to support risk management, as well as of an effective IT platform and a database for the robust and complete management of risk;
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits;
- Participating in the Internal Control System;
- Preparing information relative to risk management for internal and market disclosure;
- Supporting the works of the following Commissions: Risk, NPA Monitoring, pension Funds Risk Monitoring, Internal Control and Operational Risk Monitoring.

The Risk Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Risks Assessment Committee.

Compliance Office

The main task of the Compliance Office (COFF) is to ensure the adoption, by all Group entities, of the internal and external laws and regulations that frame their activity, so as to contribute to mitigate the risk of sanctions imposed upon the Group entities.

While exercising these functions, the Compliance Office issues binding decisions upon the respective recipients, aiming at the lawful and regulatory compliance of the different business and business support areas.

Within the scope of opinions and the associated analyses produced at request of several Group areas and Divisions, the COFF identifies and evaluates the various types of risks – either in corporate processes or in those that refer to products and services –, issues proposals for the correction of processes and risks mitigation, permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance. It is also responsible for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

The COFF intervenes and actively participates in the training policy of employees, namely, through training actions in Compliance, for the entire universe of the Group, also maintaining a high knowledge of compliance issues – notably, in what concerns the Anti Money Laundering and Counter-Terrorism Financing (AML/CTF) and the prevention of market abuse – for the development of an internal control culture within the Group.

Operational Risk management has been under the responsibility of the Compliance Office since the end of the first quarter of 2019, given the strong component of normative workload and procedures' management involved in the activity of the second line of defence to deal with this type of risk .

The Compliance Officer performs his/her duties with independence, in a permanent and effective way. Such duties include:

- The definition of the compliance tools that are appropriate for the communication and information process, for the regulations' monitoring process and for defining the policy principles and guidelines, so as to achieve a proactive and preventive action and risks' assessment, namely, in what concerns the control and monitoring of the compliance risks, the AML/CTF prevention and the mitigation of reputational risk in all entities of the Group, aiming at the alignment of concepts, procedures and goals for these matters;

- To ensure the adoption, by all Group entities, of the policies, principles and procedure defined by the COFF and the nomination of a local Compliance Officer in each subsidiary.

The Compliance Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Audit Committee.

Main developments and activies 2018

Within the scope of the control, monitoring and follow-up of the various risks to which the Group is subject, as well as of the activities carried out by the Risk Management function in response to internal or external requests or imperatives, the main developments and activities in 2018 are summarised as follows:

- Revision of the RAS metrics, with the update of tolerance limits for various risks and the introduction of new indicators targeting the IT risks inherent to the strategy of the "digital business" and internal control;
- Participation in the review of the Strategic Plan and in the Budget for 2019, in particular, in what concerns the goals for the reduction of NPE (non-performing exposures) and of assets received in the context of credit recovery (foreclosed assets);
- Coordination of the implementation and updates of the NPA (non-performing assets) Reduction Plan, including the launching and closing of the sale of 5 credit portfolios, as well as the regular reporting to the Supervision concerning the fulfilment of the plan;
- Coordination of the tasks relative to the Stress Testing promoted by the European Central Bank (ECB);
- Participation in the Group's Recovery Plan;
- Reinforcement of the liquidity risk follow-up and monitoring capabilities, through the creation of the Liquidity Risk Management area within the Risk Office;
- Participation in the Bank's project of alignment with BCBS 239 ('Principles for effective risk data aggregation and risk reporting');
- Coordination of the tasks related to the ECB's inspection to the valuation processes of collateral and of real estate and unlisted financial assets (foreclosed assets), associated to credits to Corporate credits;
- Revision and expansion, with improvements, of the internal regulations concerning the management and control of IT risks, stemming from the integration of these risks within the operational risk framework;
- Preparation and implementation of internal regulation and of risk and performance indicators for the monitoring of outsourced services;
- Approval for the permanent partial use (PPU) of the Standardised Approach for the treatment of credit exposures related to tariffs' credits over the electricity national system well as for the treatment of intra-group credit exposures;
- Follow-up and developments of the internal models used within the Group, namely:
    - Collaboration in the response and data collections required by the TRIM inspection (*Targeted Review of Internal Models*) for market risks;
    - Approval of the material changes to the LGD/ELBE models (*Loss Given Default*; *Expected Loss Best Estimate*) for Retail used in Portugal;
    - Development of methodological changes to the VaR (Value-at-risk) internal model and application for approval of those changes to the Supervision;
    - Submission to the ECB of a request for approval concerning material changes to the ELBE model for Retail positions of Bank Millennium (Poland);
- Response to the TRIMIX/Corporate to the PD models (probability of default) for low default portfolios (LDP);
- Submission of a material changes' application concerning the implementation of the new default definition, in accordance with the ECB's 'Process Guidance' (from June 2018);
- Development and implementation of the data model for the new Banco de Portugal's credits central register (*Central de Responsabilidades de Crédito*) within the scope of the AnaCredit Project;
- Participation in phase 1 of the '2019 EBA Benchmarking' exercise;

- Coordination of the works relative to the ECB's 'Liquidity Deep Dive' , running since September 2018;
- Participation in the implementation of the 'Model risk management' project, relative to the inventory and the cataloguing of all of the Bank's risk models;
- Implementation of the monitoring process for 'Leveraged Transactions', in accordance with the guidelines issued by the ECB;
- Start of the 2019 ICAAP and ILAAP, with the execution of the risks' identification and respective taxonomy update.

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations. This type of risk is very relevant, representing the largest part of the Group's overall exposure to risk.

The control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments, through a model for the early detection of potential default of the portfolio, through processes regarding the management and follow-up of the collateral value and through structural units that are exclusively dedicated to credit recovery, for non-performing situations.

Evolution and breakdown of the loan portfolio

The next table presents the Group's credit portfolio between 31/12/2017 and 31/12/2018, in terms of EAD (Exposure at Default)[(*)], in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented around 99.1% of the Group's EAD by 31/12/2018.

(Million euros)

Geography	Dec 18	Dec 17	Change	
			Amount	%
Portugal	49,625	47,405	2,220	4.7%
Poland	19,093	17,488	1,605	9.2%
Mozambique	2,025	1,879	146	7.8%
TOTAL	70,743	66,772	3,971	5.9%

In 2018, the growth of the Group's credit portfolio, in euros (EUR), was higher than in 2017 (+ 5.9% vs. + 1.4%). Although the weight of the domestic portfolio in the Group's total portfolio is decisive (70%), the growth of the group's portfolio in 2018 was due, to a large extent, to the growth of Bank Milennium, in Poland.

The increase in Portugal's portfolio occurred alongside the continuation of the NPE (Non-performing exposures) Reduction Plan, which essentially focuses on the domestic portfolio and still conditions the growth of the Corporate portfolio in Portugal, which was slightly negative (-2.8%). Hence, the net growth of the Retail portfolio in Portugal, which reached around 356 million euros, should be highlighted, as well as the growth of Public Debt held, supported by profitability targets in the placement of liquidity surpluses.

In what concerns the credit portfolios of Poland and Mozambique, these have registered annual relative growth rates higher than for Portugal, with significant extents of + 9.2% and + 7.8%, respectively (in EUR).

The growth of the Polish portfolio, measured in EUR, was quite relevant, despite the depreciation of the Zloty (PLN) against the Euro (EUR), of around 2.8% between December 2017 and December 2018. The local portfolio expressed in that currency represented approximately 77% (Dec 2018) and 76% (Dec 2017) of the total (expressed in EUR).

For Bank Millennium's portfolio denominated in Swiss francs (CHF), the downward trend continued, especially in the second part of the year: the weight of about 20% in December 2017 fell to less than 18% in December of 2018 (of

[(*)] Without impairment deduction to the exposures treated prudentially under the Standardised Approach (STD).

the total EAD of this geography, expressed in EUR). This reduction was of around 140 million euros (around CHF 312 million) and the variation in EUR was affected by the CHF appreciation vis-à-vis the EUR, by almost 4% in 2018. This portfolio's evolution brings a decrease in credit risk with FX origin (potential appreciation of CHF against PLN) and was caused by the portfolio's natural erosion (the generation of new credit operations in this currency was discontinued since 2010).

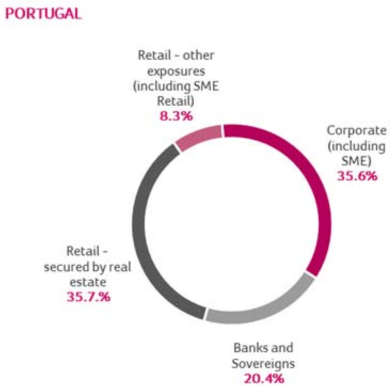
It should also be noted that the growth of the portfolio in Poland occurred for all risk classes, except for the segment of credits secured by real estate mortgages, which remained essentially constant. For the evolution in this segment, the natural reduction (i.e. by the effect of time) of the portfolio expressed in CHF referred to above, was decisive. Besides this, a highlight should be made on the strong growth registered in the Sovereign Debt portfolio, especially in the second half of 2018.

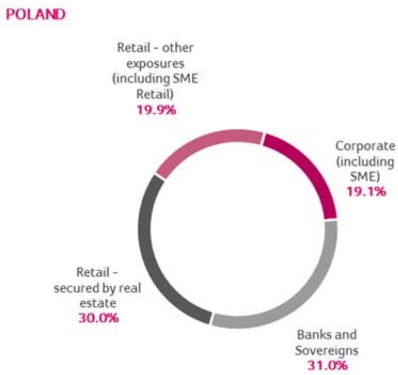
The relative growth of Banco Internacional de Moçambique's (BIM) credit portfolio in 2018 was also considerable, with the absolute growth reaching around 146 million euros. For the part of the portfolio denominated in meticais (MZN) - representing around 77% of the total portfolio, expressed in EUR, at the end of 2018 – the growth in local currency was of about 10 900 million MZN (around +10 , 5%), with virtually no FX effect.

As for the Mozambican portfolio denominated in US dollars (USD), representing around 20% of the total portfolio of that country (in EUR, at the end of 2018), its growth was negative in original currency (-7.5%, approximately), although this decrease was partially offset by the strong appreciation of the USD against the EUR in 2018 (around 5.0%).

In this geography, a highlight is made on the growth of the "Banks and Sovereigns" segments, which more than compensated for the decrease in the portfolio of the remaining segments. With regard to BIM's Corporate segment, which includes the State-owned enterprises and the Small Medium Enterprises (SME), the portfolio reduction was offset by direct financing to the Mozambican State. As for the Retail portfolio, there was a significant contraction in 2018, reflecting a conservative credit policy adopted by the bank in the face of the country's economic environment. Indeed, the granting of new loans was framed in a context of strong prudence on the part of the Bank, given the incipient economic growth in this geography.

The portfolio breakdown by risk classes is illustrated by the following graphs, representative of the portfolio structure as of 31/12/2018:





The breakdown of the credit portfolio in Portugal in what concerns the weight of the various risk segments, shows as main variations: the increase in the "Banks and Sovereigns" segments, given the aforementioned growth of the Public Debt portfolio; a slight reduction in the Corporate segment, still due to the reduction of the NPE portfolio; the maintenance of the weight of the Retail segments (ca. 45% in Dec 2017 vs. ca. 44% in Dec 2018).

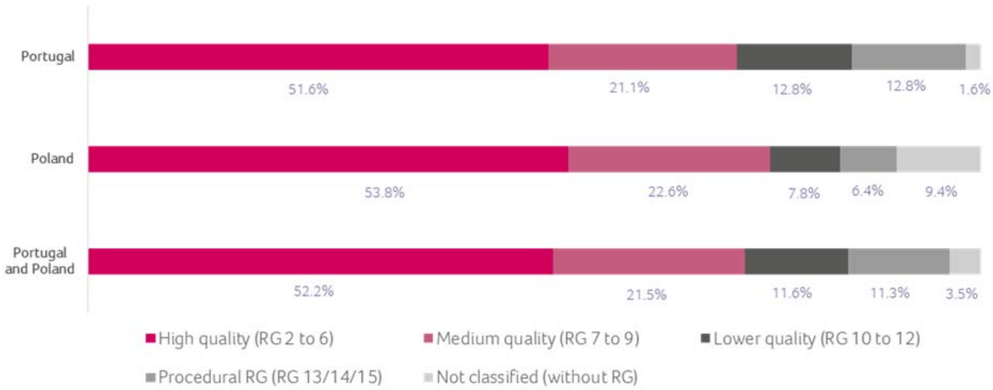
Regarding the distribution Bank Millennium's portfolio (in Poland) by risk segments, there are no significant changes in the respective weights between December 2017 and December 2018, except for the class of positions secured by mortgage guarantees in which it a slight reduction in weight occurred (from 33.2% to 30.0%). Since the "Other retail positions" segment registered a slight increase in weight (from 17.9% to 19.9%), the Retail segment's weight, as a whole, remained practically constant (at around 50.0% of this geography's portfolio).

In what concerns the Mozambican portfolio, the aforementioned substitution of credit to State-owned companies by direct financing to the State resulted in an inverse variation of the weights of "Banks and Sovereigns" and Corporate segments, along with a contraction of the Retail segment.

Probability of Default (PD) and Loss Given Default (LGD)

The main credit risk assessment parameters used in the calculation of Risk Weighted Assets (RWA) under the Internal Ratings Based (IRB) method - the Probability of Default (PD) and Loss Given Default (LGD) – assigned to the credit operations' portfolio have been showing a positive evolution, reflecting a clear trend towards of improvement of the portfolio's quality.

The following chart presents the portfolio distribution (in terms of EAD) by the risk grades assigned to the credit operations debtors, as at 31/12/2018. These risk grades (RG) are those defined in an internal scale, transversal to the Group (Rating Masterscale), with 15 rating grades degrees, corresponding to different levels of the debtors' PD.



Banks and Sovereigns and Specialised Lending not included

As illustrated by the graph above, the weight of EAD corresponding to medium and higher quality risk grades, in the two geographies as a whole, accounted for 73.6% of the total EAD, compared to the equivalent weights of 69, 8% and 64.2% on 31/12/2017 and 31/12/2016, respectively. This positive evolution results, in particular, from the evolution of the debotrs' RG in Portugal.

Regarding the weight of the exposure of customers with procedural RG (without access to new credit), for the two geographies, it decreased from 14.8% on 31/12/2017 to 11.3% % as of 31/12/2018. In Portugal, this reduction of the portfolio with procedural GRs, between the same dates, was even greater: from 17.1% (in 2017) to 12.8% (in 2018). This reduction in the weight of credit positions whose debtors are classified with procedural GR is also due to the continued and effective execution of the NPE Reduction Plan, referred to below.

Regarding the LGD parameters - which represent the own estimates for the expected losses in the case of Default and, to a large extent, reflect not only the efficiency of credit recovery according to the different types of credit segments/products, but also the levels of collateralisation of credit operations - the following table shows the respective weighted average values of EAD as of 31/12/2017 and 31/31/2018:

	Mortgages	SME Retail	Retail (other)	SME Corporate	Real Estate Promotion	Corporate	GLOBAL AVERAGE
2018	16.5%	34.5%	33.9%	40.7%	43.8%	45.7%	28.2%
2017	18.5%	35.8%	35.8%	43.0%	48.0%	44.6%	30.7%

Thus, the LGD parameters in Portugal improved in 2018 for virtually all segments, reflecting a decrease in credit risk. The only exception was the LGD applicable to the Corporate segment (companies with a turnover of 50 million euros or more), for which the increase of the expected loss in case of default was not relevant.

In Poland, for the two portfolio segments for which own estimates of LGD are applied - the qualified renewable retail positions (overdrafts and credit cards, basically) and mortgages - the weighted average values calculated for LGD were of 64.7% and 34.1%, respectively, on 31/12/2018. These levels of LGD do not show any significant variation compared to the homologous values calculated on 31/12/2017 which were, respectively, of 65.0% and 33.9%.

Main credit risk indicators

The quarterly evolution of the main credit risk indicators, between 31/12/2017 and 31/12/2018, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec 18	Sep 18	Jun 18	Mar 18	Dec 17
CONSOLIDATED					
NPE/Credit to clients (gross)	10,9%	12,3%	13,2%	14,0%	15,0%
NPL > 90 days / Credit to clients (gross)	6,1%	7,4%	8,0%	8,5%	8,9%
Past due credit > 90 days / Credit to clients (gross)	3,8%	4,8%	5,2%	5,5%	5,8%
Past due credit / Credit to clients (gross)	4,1%	5,0%	5,5%	5,7%	5,9%
Impairment / Credit to clients (gross)	5,7%	6,3%	6,6%	6,8%	6,5%
PORTUGAL					
NPE/Credit to clients (gross)	12,9%	14,7%	15,8%	16,5%	17,8%
NPL > 90 days / Credit to clients (gross)	7,1%	8,8%	9,5%	10,2%	10,7%
Past due credit > 90 days / Credit to clients (gross)	4,5%	5,8%	6,3%	6,7%	7,0%
Past due credit / Credit to clients (gross)	4,7%	5,9%	6,5%	6,8%	7,1%
Impairment / Credit to clients (gross)	6,4%	7,1%	7,5%	7,7%	7,5%
POLAND					
NPL > 90 days / Credit to clients (gross)	2,5%	2,7%	2,7%	2,7%	2,8%
Past due credit > 90 days / Credit to clients (gross)	1,9%	1,9%	2,0%	2,0%	2,0%
Past due credit / Credit to clients (gross)	2,4%	2,4%	2,5%	2,5%	2,4%
Impairment / Credit to clients (gross)	3,4%	3,5%	3,6%	3,7%	3,1%
MOZAMBIQUE					
NPL > 90 days / Credit to clients (gross)	16,4%	15,9%	15,9%	14,7%	14,3%
Past due credit > 90 days / Credit to clients (gross)	5,4%	5,5%	5,3%	5,3%	5,0%
Past due credit / Credit to clients (gross)	5,5%	5,9%	6,0%	5,8%	5,5%
Impairment / Credit to clients (gross)	11,3%	9,6%	8,7%	9,6%	9,7%

NPL = *Non-performing Loans*

Credit to clients (gross) = Direct credit to clients, including credit associated to credit operations under the form of securities, before impairment and fair value adjustments.

The evolution of these indicators in 2018 was favourable in Portugal and Poland, as well as at a consolidated level. The improvement in the credit portfolio quality measured by the 'NPE/Gross Credit' ratio was of great relevance in Portugal, this indicator having a reduction of practically 5 percentage points. This positive variation resulted mainly from the reduction of NPE, as well as from the growth of the credit portfolio based on prudent granting criteria, with a view to preserve the quality of the portfolio in the long run, strengthening the Bank's capacity to face up to eventual downturn periods in the future.

It should also be noted that the 'NPL ratio> 90 days/Total credit' in Portugal and in Poland improved favourably in 2018, along with the reinforcement of provisioning of the portfolio. Only in Mozambique there was a slight worsening of credit risk indicators, in the context of the adjustment that this geography's economy is still experiencing.

NPA/NPE Reduction Plan

The Group's NPA Reduction Plan continued to be implemented during the first half of 2018 – under its two components of NPE and foreclosed assets (FA) - focusing mainly on non-performing credit portfolios and on real estate properties held for sale in Portugal.

The NPA Reduction Plan is framed by a specific Governance model and by a robust management framework, organized by specialised areas of credit recovery and based on systematically defined recovery strategies – either stemming from automated analysis and decision models (for Retail) or based in the relationship of recovery managers with their Corporate clients, allowing for tailor-made solutions. Also, in what concerns the FA, the circuits and procedures established have as priority the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan also benefits from a technological environment that provides specific IT infrastructures for the activities connected with credit recovery and NPE reduction, and is monitored thorough the Operational Plan for NPA Reduction, that defines initiatives aiming at accelerating and conferring effectiveness to the recovery or sales' processes (both of loans and real estate properties), distributed throughout the several phases of the recovery and NPA reduction processes: prevention; collection; executions; FA reception and treatment; sales.

The fulfilment of the reduction targets for each area involved in NPA reduction is measured monthly, both through management information and regarding the specific focus areas defined in the Operational Plan referred to above, with reporting to the top management.

The Bank's NPA Reduction Plan has registered very positive results, higher than initially projected. The annual review of the Plan occurred in March 2018, with upwards adjusted targets, to reduction levels higher than those established in the previous review. Subsequently, in August 2018, an extraordinary interim revision of the goals was carried out, with even higher levels of ambition.

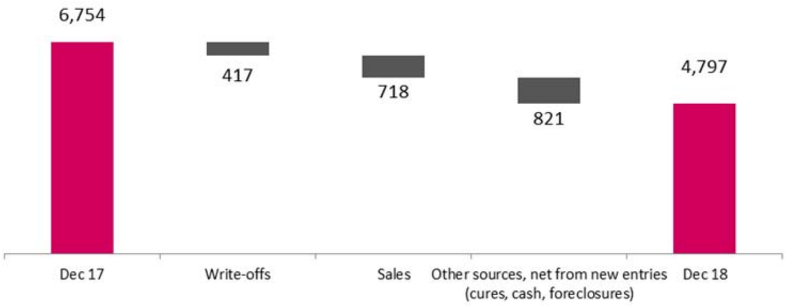
The following table presents the evolution of NPE volumes between 31 /12/2017 and 31/12/2018, for the Group and for Portugal:

(Million euros)

	Dec 18	Sep 18	Jun 18	Mar 18	Dec 17
CONSOLIDATED	5,548	6,308	6,665	7,122	7,658
	- 27.6%				
PORTUGAL	4,797	138	5,913	6,282	6,754
	- 29.0%				

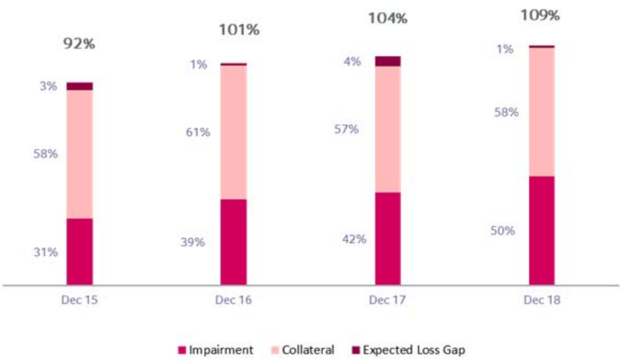
Thus, the Group's NPE reduction in 2018 reached 2,110 million euros, which represents a decrease of 27.6%. In Portugal, the reduction was of 1,957 million euros (-29.0%) and in international operations it reached 154 million euros (-17.0%). This development clearly demonstrates the Group's commitment to the implementation of the NPE Reduction Plan, as well as the effectiveness of its measures and design.

The next chart shows a breakdown of the NPE reduction in Portugal in 2018, by the different reduction sources at stake.



As regards the sources of reduction shown in the graph above, it should be noted that the heading "Other sources, net of new entries" includes "cure" situations, i.e. exposures which, in 2018, were no longer classified as NPE, due to the extinction of the cause for the entry into default.

It should also be highlighted that the coverage of the NPE portfolio by impairment, collateral and Expected Loss Gap - both for Portugal and at consolidated level - reached around 109% on 31/12/2018 (against 103% and 104% % on 31/12/2017, for the Group and Portugal, respectively). In Portugal, the NPE coverage at the end of 2018 was practically all ensured by impairment and collaterals, and the weight of the Expected Loss Gap was reduced, as shown in the graph below (on December 18). In the evolution between Dec/17 and Dec/18, the considerable growth in NPE coverage due to impairment should also be noted, increasing from 42% to 50%.



In what concerns the on-balance assets received as the result of credit recovery (foreclosed assets), the next table shows the evolution of its stock – with a breakdown regarding the different asset types - between December 2015 and December 2018, before impairment:

(Million euros)

	Dec 18	Sep 18	Jun 18	Dec 17	Dec 16	Dec 15	Dec14
Real estate properties	1,474	1,510	1,664	1,778	1,782	1,448	1,263
Real estate Funds and companies	330	408	435	466	538	460	450
Other assets (non-Real estate)	156	138	142	95	75	55	55
SUB-TOTAL - Portugal	1,960	2,056	2,241	2,339	2,395	1,963	1,769
Other geographies Foreclosed Assets	58	43	45	37	18	37	33
GROUP TOTAL	2,019	2,099	2,286	2,376	2,413	2,000	1,802

The figures in this table show a clearly decreasing trend for the FA stock since December 2017, due not only to the effort in profitable sales of this kind of assets, but also to the reduction in their inflow as result of credit recovery processes, given the contraction of the non-performing loan portfolio and the sale of collateralized credits portfolios of the Corporate segment.

Hence, after a period in which the FA stock registered a growth resulting from the reduction of NPE (2014-2016), there has been a trend of reduction of this portfolio, with acceleration of this trend in the last year: a reduction of 378 million in 2018 compared to a reduction of 56 million euros in 2017.

In 2018, in Portugal, the total sales volume of FA real estate reached around 670 million euros, compared to 430 million euros in 2017 (+ 56.3%). It should also be noted that the sales values of these assets in 2018 were 14.8% higher than the respective balance sheet value (vs. 12.9% in 2017), so this NPA reduction did not cause a negative impact on P&L.

The positive performance in the reduction of real estate FA is part of a favourable evolution of the real estate market, which limits the risk of real estate FA still on-balance in Portugal (real estate and investment funds/real estate companies), and the profits made before on the sale of these assets demonstrates the Bank's prudence in its valuation.

Credit concentration risk

The figures concerning credit concentration, as at 31/12/2018, measured by the weight in total exposure of the 20 largest Group performing exposures, in terms of EAD and excluding the risk classes of Banks and Sovereigns (as well as NPE Client Groups), are presented in the following chart:

Client Groups	Exposure weight in total (EAD)
Client group 1	1.3%
Client group 2	0.7%
Client group 3	0.6%
Client group 4	0.5%
Client group 5	0.5%
Client group 6	0.4%
Client group 7	0.4%
Client group 8	0.4%
Client group 9	0.3%
Client group 10	0.3%
Client group 11	0.3%
Client group 12	0.3%
Client group 13	0.3%
Client group 14	0.2%
Client group 15	0.2%
Client group 16	0.2%
Client group 17	0.2%
Client group 18	0.2%
Client group 19	0.2%
Client group 20	0.2%
Total	7.9%

The set of 20 largest non-NPE exposures accounted for 7.9% of total EAD as of 31/12/2018. At the end of 2017, this weight reached 9.5%, so the evolution of the concentration of credit risk in 2018, thus measured, was favourable. In absolute terms, the joint EAD of the 20 largest non-NPE clients decreased by approximately 763 million euros.

It should be noted that, in addition to the compliance with the regulatory limits relative to Large Exposures, the Group has specific goals defined for the control of credit concentration, materialised into RAS metrics. Besides, metrics for specific concentration types are monitored regularly: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

For all cases, the concentration limits definition depends on the internal/external risk grade attributed to the clients at stake and consider their respective Net Exposure (= LGD x EAD, with LGD =45% whenever an own estimate does not exist or is not applicable).

In the case of the single-name concentration, the limits are only defined for performing clients, since the NPE are covered by the NPA Reduction Plan. For clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

Operational risk materializes in the occurrence of losses resulting from failures or inadequacies of internal processes, systems or people, or resulting from external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations, tolerance limits for exposures to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management system adopts the 3 lines of defence model and is based on a structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes structure also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity.

Hence, all the Group's subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence which is composed of process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic review of the processes structure in each geography is ensured by local structure units.

The Risk Office represents the 2nd Line of Defence, which implements the defined risk policy for the Group, having the responsibility of proposing and developing methodologies for managing this risk, supervising its implementation and challenging the 1st Line of Defence regarding the levels of risks incurred, reporting to the Operational Risk Monitoring and Internal Control Committee.

In 2018, the usual tasks of operational risk management continued to be carried out by the various participants in the management of this risk, aiming at an effective and systematic identification, assessment, mitigation and control of exposures, as well as at the corresponding reporting duties, either to the Group's management bodies or within the regulatory sphere. At the end of the first quarter of 2019, the responsibility for managing operational risk was transferred to the Compliance Office, taking into account the strong normative and procedural aspects related to the management of this risk by the 2nd line of defence.

The mobilization of the Bank to reinvent the banking experience, based on new technologies, presents significant challenges in the management of operational risk, the highlights of which are the strengthening of the security of the digital banking channels, the strengthening of mechanisms for potential frauds' prevention and detection, the responsible management of personal data and the fulfilment of the legally prescribed information duties on sales through digital banking channels. In order to strengthen the mechanisms for a more efficient control of risk and to enable the Bank to confidently face these challenges, a number of initiatives have been launched, among which the following should be highlighted:

- Updating and revision of internal regulations and of the risk and performance indicators for the monitoring of outsourced services , within the scope of the processes in which these occur;
- The entry into force of internal regulations that determine principles, lines of action, responsibilities and methodologies for IT risk management;
- Definition and inclusion in the RAS of new metrics, with the objective of monitoring the evolution of the exposure to IT Risk
- Collaboration of the risk management function in tasks related to the ECB's inspection of ICT risks (Information and Communication Technologies).

Risks self-assessment (RSA)

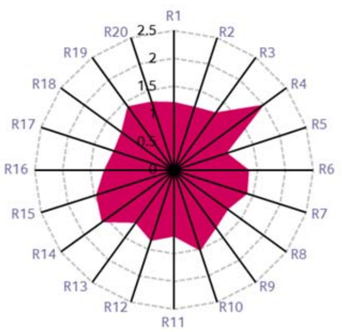
The objective of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the worst case event that might occur in each process, for three different scenarios. This allows for:

- The assessment of the risks exposure of the different processes, not considering the influence of existing controls (Inherent Risk);
- The determination of the influence of the existing control environment in reducing the level of exposure (Residual Risk);
- The identification of the impact of the improvement opportunities in the risk reduction of the most significant exposures (Target Risk).

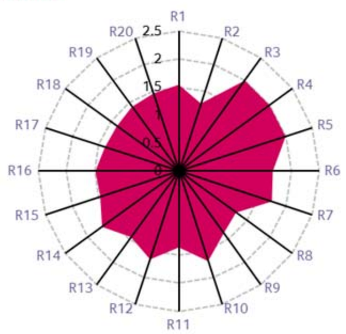
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

In 2018, RSA exercises were conducted in the main Group geographies, the results of which are presented in the next graphs. These show the average score for each of the 20 subtypes of operational risk considered, for the set of processes of each geography. The outer line represents a score of 2.5 on a scale of 1 (lowest exposure) to 5 (highest exposure).

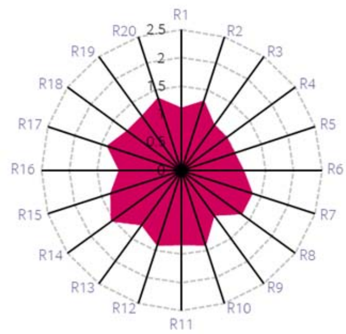
PORTUGAL



POLAND



MOZAMBIQUE



R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff

R7 Hardware and Software
R8 Communications infrastructure
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Products or services flaws/errors

R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Project risks
R19 Outsourcing related problems
R20 Other third parties' related problems

The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment regarding the operational risk management, through the continuous development of improvement actions that contribute to mitigate the exposures to this risk.

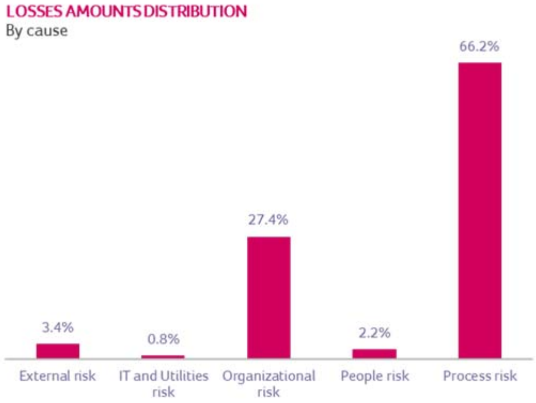
Operational losses capture

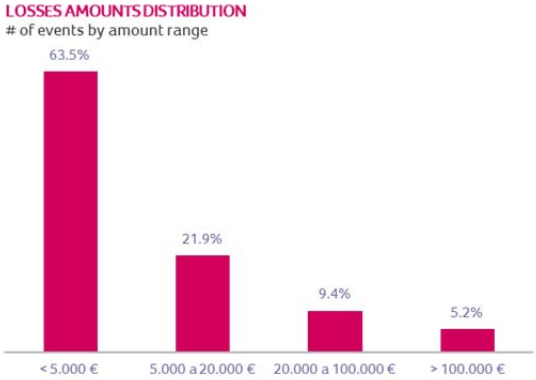
The operational losses data capture (i.e. the identification, registration and characterisation) of operational losses and of the originating events aims at the strengthening of the the awareness of this risk and to provide relevant information to process owners, for incorporation within their process management. As such, it is an important instrument to quantify risk exposures and also for the back-testing of the RSA results, enabling the assessment of the evaluation/classification attributed to each risk subtype.

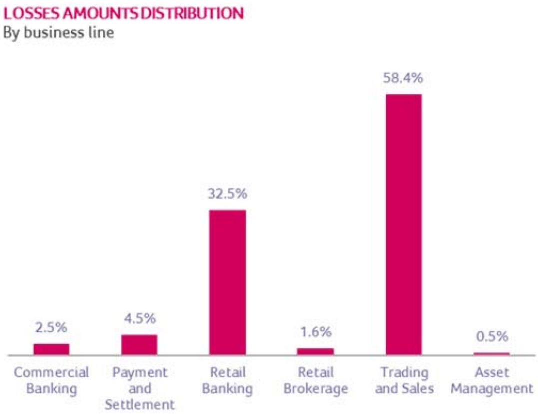
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding a threshold defined by the EC, "lessons learned" reports are presented to that body and discussed.

The following graphs present the profile of the losses captured in the respective database in 2018:







The causes for most of the losses were procedural risks, related to failures to formalize a discontinued product at the beginning of this decade, and organizational risks related to failures to respond to claims on credit products. It should be noted that the pattern of operational losses verified is not far from what is usual and expected, with a higher frequency of losses of low amounts, without concentration on significant amounts.

It should also be highlighted that the average ratio of gross losses to the relevant gross income indicator for regulatory capital requirements has been below 1% over the past five years, which compares very favourably with the international benchmark and attests to the robustness of the Group's operating risk management and control environment.

Key risk indicators (KRI)

KRI provide alerts concerning changes in the profile of the operational risks or in the effectiveness of controls, thus enabling to identify the need to introduce corrective actions within the processes, so as to prevent potential risks from materialising into losses. These indicators currently encompass all of the processes in the main Group operations (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators (KPI) and Key Control Indicators (KCI), the monitoring of which, even if oriented towards the assessment of operative efficiency, also contibutes for the detection of risks.

Scenario analysis

Scenario Analysis, carried out in Portugal, is an exercise oriented towards the assessment of potential risks of high severity, aimed at quantifying the impact of extreme events (low frequency/high severity) which would be relevant for the Bank, even if never registered in the past.

All Macro-Process Owners and other top managers from selected Divisions participate in this exercise, due to their knowledge and experience concerning the activities, which are essential for the description of this type of events' impacts and for the quantification of potential losses that could result from those events.

The results from the scenarios assessment are incorporated into the model developed to determine the capital adequacy (ICAAP) and the information gathered also used for risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

Business continuity management

The management of business continuity covers two complementary components: the Business Continuity Plan relative to people, facilities and equipment, and the Technological Recovery Plan relative to information systems, applications and communications infrastructure.

Both of these plans are defined and implemented for a series of critical business processes, and are promoted and coordinated by a dedicated structural unit, whose methodology is based on a principle of continuous improvement, guided by international good practices and the recommendations of the supervisory entities.

These continuity plans are regularly tested and updated, through exercises aimed at improving and deepening the coordination between emergency response, technological recovery, crisis management and business recovery. 12 exercises of business recovery, 2 exercises of technological recovery (DRP) and 1 exercise of crisis management were carried out in 2018.

Insurance contracting

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Operational Risk and Internal Control Monitoring Commission and authorised by the EC.

Market risks

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks 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 management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective 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(*)

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 table below presents the amounts at risk for the Trading Book, between 31/12/2017 and 31/12/2018 and measured by the methodologies referred to above, that registered moderate levels along the period under analysis:

(Thousand euros)

	Dec 18	Max	Avg	Min	Dec 17
GENERIC RISK (VaR)	3,040	5,407	2,817	1,661	2,546
Interest rate risk	3,125	5,160	2,573	1,760	2,450
FX risk	363	495	784	305	790
Equity risk	34	89	52	66	36
Diversification effects	*(483)*	*(336)*	*(592)*	*(471)*	*(730)*
SPECIFIC RISK	47	389	115	19	100
NON-LINEAR RISK	0	17	10	0	7
COMMODITIES RISK	5	7	3	1	6
GLOBAL RISK	3,091	5,579	2,949	1,746	2,660

VaR model monitoring and validation

In order to check the appropriateness of the internal VaR model for 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.

The VaR model's hypothetical back-testing exercise for the trading book of Portugal, between 31/12/2017 and 31/12/2018, resulted in 3 excesses over the model's predictive results (all negative), representing a frequency of 1.2% in 257 days of observation. Hence, this back-testing result allows the validation of the model, as appropriate for measuring the risk at stake.

Trading Book Stress Tests

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 identifying risk concentrations that have not been captured by the VaR model.

(*) Positions assigned to the Trading Management Area (not specifically included in the accounting trading book).

The results of these tests on the Group's Trading Book, as at 31/12/2018, in terms of impacts over this portfolio's results, were the following:

(Thousand euros)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	-100 bps	-5,594
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	-25 bps	-2,855
4 combinations of the previous 2 scenarios	-100 bps and +25 bps	-2,520
	-100 bps and -25 bps	-8,735
Variation in the main stock market indices by +/- 30%	-30%	-80
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	+10%, +25%	-254
Variation in swap spreads by +/- 20 bps	-20 bps	-1,058
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	-670
Significant vertices(1)	VaR w/ diversification	-10,926
	VaR w/o diversification	-10,918
Historical scenarios(2)	06/Oct/2008	-11,529
	18/Jul/2011	-8,874

(1)Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors, are applied to the current portfolio..

(2)Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the 2008 financial crisis and the Eurozone Sovereign Debt crisis in 2011.

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general decrease in interest rates, especially when accompanied by a change in the slope of the yield curve, in the case of a higher decrease in longer terms than in sorter terms (decrease of the curve's slope). In what concerns the non-standard scenarios, the main loss case refers to the variations occurred in 06/10/2008 when applied over the current portfolio.

Interest rate risk of the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. On their turn, the changes in interest rates may alter the behaviour profile of clients, inducing pre-payments/withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Besides this, but with less impact, there is also the risk of unequal variations in different reference rates with the same repricing period (basis risk).

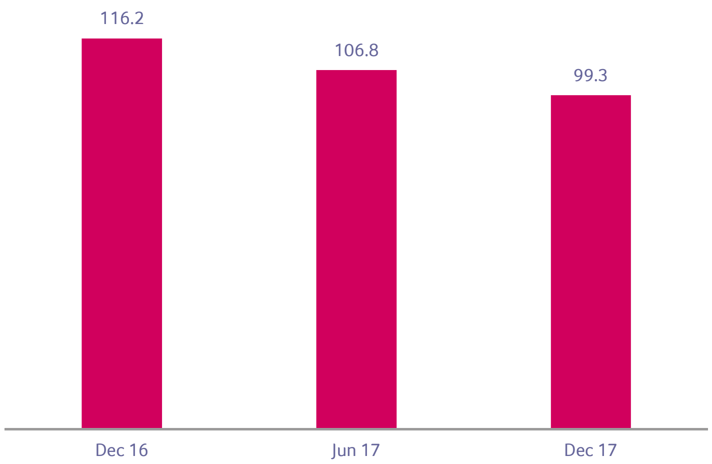
In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations 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 impacts stemming from the clients' behaviour are also considered, in particular for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments).

The result of this analysis for a +100 basis point change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), on the Banking Book portfolio as at 31/12/ 2018 consists in a positive impact on the balance sheet's economic value of around 129 million euros. Hence, the Group is positively exposed to a rise in interest rates, which fits in the context of a very low level of interest rates which has persisted in recent years. Inversely, the negative impact on a generalized drop in euro rates of -100 basis points - and considering a floor of 0% (i.e., without considering negative rates) would be of around -25 million euros.

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months projected in accordance with the 'cash and carry trade' and 'non-arbitrage principle' methods. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of maturity and price is generated.

So as to capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution. The next graph shows the estimated impact over the net interest income, over the last 2 years, at the end of each semester, considering the scenario in which interest rates globally increase +100 bps combined with the most "aggressive" scenario for the coefficients that transmit the market variations over the deposits' rates and other liabilities that generate interest ('betas'), which illustrates the evolution of the NII sensitivity to changes in the markets' rates:

Impacts over the NII with increasing rates scenario
(+100 bps)



FX and equity risks of the Banking Book

The exchange rate risk of the banking book is transferred internally to the Trading area, 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 subject to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

As at 31/12/2018, the Group's holdings in convertible foreign currency were fully 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, through a 'Fair Value Hedge' methodology, I this case.

Regarding equity risk, the Group maintains a set of small size and low risk equity positions, essentially 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' control.

Liquidity risk

Liquidity risk is the potential incapacity of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or due to the sale of assets for amounts below market value (market liquidity risk).

The Group's Wholesale Funding (WSF) structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

In 2018, at consolidated level, there was an increase of 313 million euros in wholesale financing requirements, mainly attributable, on the one hand, to the impact of the increase in sovereign debt portfolios in Portugal and Poland and, on the other hand, to a further reduction of the commercial gap in Portugal and the cashflows generated by operations.

In terms of the financing structure, the increase in liquidity needs was almost entirely supplied by the money market, the balance of which showed a net increase of 357 million euros (to a balance of 1,168 million euros at the end of the year) resulting from the increase in the interbank market of 754 million euros (for a balance of 738 million euros at the end of the year) and a reduction of 398 million in the funding through Repos (to a balance of 430 million euros at the end of the year).

The value of the collateralized borrowing from the ECB remained at 4,000 million euros, corresponding to the balance of Targeted longer-term refinancing operations (TLTRO), which will reach maturity in 2020.

The table below illustrates the WSF structure as at 31/12/2017 and 2018, in terms of the relative weight of each of the instruments used:

	Dec 18	Dec 17	Change in weight
Money market	8.7%	-0.2%	8.9%
ECB	47.1%	48.9%	-1.8%
Private placements	0.8%	1.8%	-1.0%
Repos	5.1%	10.1%	-5.1%
Loan agreements	20.7%	20.9%	-0.3%
EMTN	0.0%	0.0%	0.0%
Covered Bonds	11.8%	12.2%	-0.5%
Subordinated Debt	5.9%	6.1%	-0.3%
Total	**100.0%**	**100.0%**	

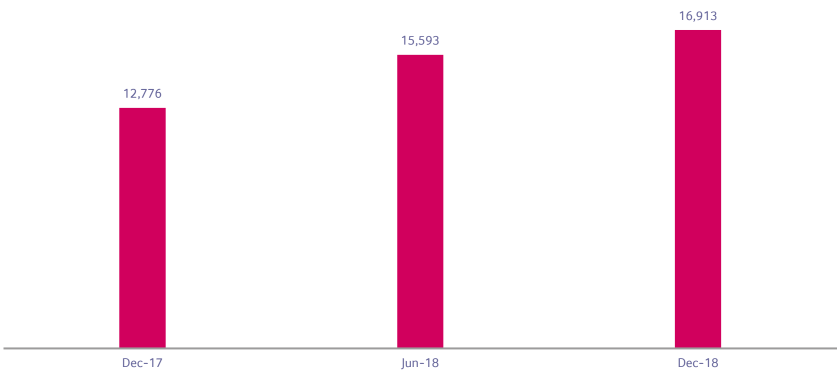
Although the weight of the gross funding from the ECB is practically maintained, it should be noted that, on 31/12/2018, in liquid terms (i.e. deducting from the value of the deposits the balance deposited with Banco de Portugal and other liquidity in excess of the minimum cash reserves), this source of financing showed a further reduction compared to 31/12/2017, in the amount of 397 million euros, to a net balance of 2,652 million euros at the end of the year.

The growth of sovereign debt portfolios eligible for discount at the ECB led to a significant strengthening of the liquidity buffer at the Eurosystem, which stood at 14,261 million euros at the end of 2018 against 9,728 million euros in December 2017, representing a increase of about 47%.

The available ECB discountable collateral portfolio’s evolution in the last 2 years is illustrated by the following graph:

Total eligible assets portfolio available for discount at the ECB

(Million euros)



Besides the ECB eligible collateral, above represented graphically, the Group still had, as at 31 of December 2018, a portfolio of Treasury Bills (USA), an asset that qualifies as highly liquid, the unencumbered component of which amounted to 87 million euros.

The Bank's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to cope with possible financial stress situations. The measures for its reinforcement are described in the Recovery Plan and it reached, by 31 December 2018, an estimated total value of 2,610 million euros, with the following origins: sale of corporate bonds, sale of commercial paper and securitisation of a consumer credit portfolio and the issuance of mortgage bonds to be included in the ECB's monetary policy pool.

Liquidity risk control

The Group's liquidity position is assessed on a regular basis, with the identification of all factors underlying the variations that have occurred.

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulations, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (87% as at 31/12/2018), the regulatory ratios LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) - respectively, 218% and 133% as at 31/12/2018 - and also the relative dimension of the excess of available collateral for discounting at UE central banks, *vis-à-vis* the total clients' deposits.

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted by such scenarios, the Group would have to make unplanned contributions in order to maintain the benefits defined by the Fund.

The responsibilities for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

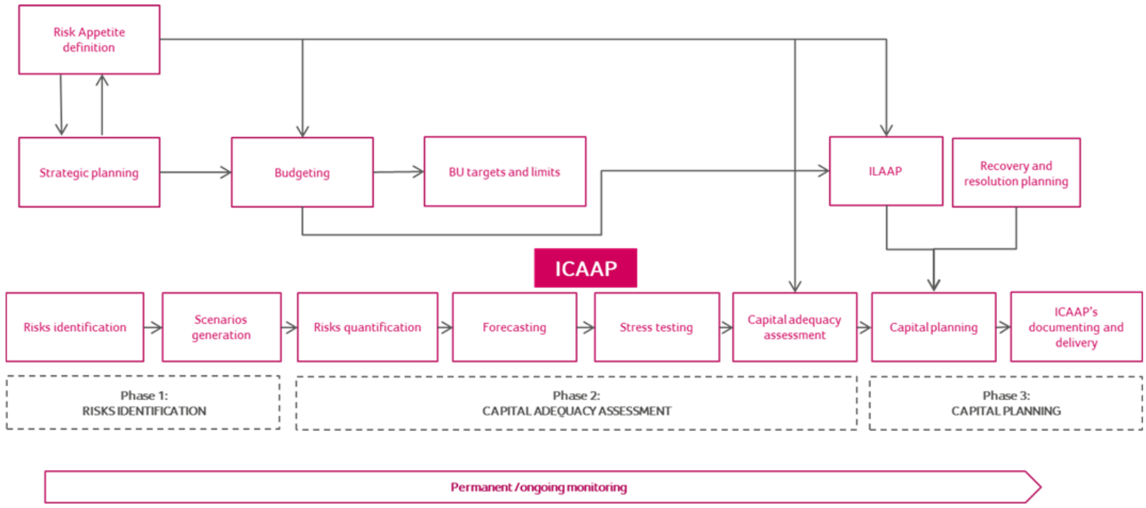
In 2018, the BCP Group Pension Fund registered a net return of +0.18%, which was higher than the benchmark return of the fund. All asset classes contributed positively to this performance, with the exception of the Variable Rate and Liquidity components. A highlight should be made on the positive performance registered in the National and European Shares component, for which the selection made it possible to offset the overall negative record of this assets' class. The Fixed Rate component (national Public and Corporate Debt assets) and the Real Estate Assets component also added value to the Fund. The Alternative Investments component[*] should also be noted, within which the strong performance of Private Equity funds stands out.

Notwithstanding the fact that the Fund's return was below the discount rate used for the actuarial projections, the coverage of the Fund's responsibilities presented an excess of around 12 million euros, as at 31/12/2018.

[*] Basically, Private Equity and Absolute Return funds.

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank continuously monitors the adequacy of capital to cover the risks level to which the Group's activity is subject in the development of its business strategy, current and projected for the medium-term. This continuous process, designated by ICAAP (Internal Capital Adequacy Assessment Process), is a key process within the risk management function's scope at Group BCP. The chart below summarizes the process at stake:



The ICAAP develops under an internal governance model that ensures the involvement of the BoD (the body responsible for approving the results) and its Risks Assessment Committee, of the EC, of the Risk Commission and of the top management, along the various stages of the process.

The results of the ICAAP allow the Bank's management bodies – namely, the Board of Directors and the Executive Committee - to test if the Group's capitalization is appropriate for the risks stemming from its activities and if the strategic plan and budget are sustainable in the medium term and comply with the risk limits defined in the Risk Appetite Statement (RAS) approved for the Group.

For this purpose, the ICAAP is rolled-out from a prospective vision of the impact estimates concerning the occurrence of risks over the Bank's capital (capital requirements), considering their scale or dimension, complexity, frequency, probability and materiality, against a background consisting of the medium term (3 years) projection for the developments of the Group's activities. In this process, impacts are estimated for different scenarios, including stress scenarios, with a severely negative evolution of macro-economic indicators in order to test the Group's resilience and the adequacy of the capital levels to cover the risks to which its activity may become subject. To this effect, the different risks are modelled or incorporated in the Group's stress tests methodology framework.

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject, which involves the Bank's management and the management from the main subsidiaries abroad. For this purpose, the Group uses a methodological approach based on an internal list of risks, covering more than 60 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures.

Beyond all risks considered to be material, the Group integrates in the ICAAP all of Basel's Pillar I risks, even if these do not attain levels that are considered to be material, at Group level.

The result of this stage is the list of risks to be incorporated in the ICAAP, which will also be helpful in defining the variables to be considered for the establishment of the base and the stressed scenarios, mentioned below. The approval of the results of the risks identification process is a capacity attributed to the Risks Assessment Committee.

In a second stage, the base and stressed scenarios that make the ICAAP's framework were defined. While the base scenario represents the Group's vision of the most probable evolution of the business constraints in the medium term (baseline scenario), the stressed scenarios incorporate extreme conditions, with low probability of occurrence but with severe impact over the Group's activity (adverse scenarios). The approval of the scenarios to be considered in the ICAAP is also a responsibility of the Risks Assessment Committee.

In the third stage of the ICAAP, the impact of the risks identified is modelled for the reference date and the capital requirements are calculated for that date. All risks identified by the Bank are considered in the ICAAP. The material risks are quantified in term of their impact over the Risk Weighted Assets (RWA) level or over the P&L , in accordance with a set of methodologies and internal models, formally approved and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of 1 year (which is lower for the trading portfolio, due to its business nature). The non-material risks are considered through an additional buffer to the capital calculated by the Bank through the ICAAP.

The approval of the estimation methodologies for the risks impacts in the Group's activity is a competence of the Risk Commission.

In the prospective component, the baseline and adverse scenarios referred to above are considered for a medium-term (3 years) projection, either in the current vision of the Group's management (baseline scenario) or within a macroeconomic context that is severely penalizing, in order to test the Group's resilience under extreme scenarios, i.e., if the Group has adequate capital levels to cover the risks to which its activity may be subject to. For this, the different risks are modelled or incorporated within the Group's stress testing methodology.

After the estimation of impacts of the risks over P&L and the Group's balance-sheet – especially, in what concerns the Own Funds – the adequacy of the Group's Risk Taking Capacity (RTC) can be assessed, *vis-à-vis* the expected profile of its activity.

The Group adopts a RTC that is aligned with the definitions of the regulatory capital ratios, pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 (the CRR – Capital Requirements Regulation), including some adjustments in order to encompass other elements or capital instruments that the Group considers appropriate to cover the existing risks, prudently projected along the timeframe under analysis.

The ICAAP results show that the current capitalisation levels are appropriate for a 3-year horizon, either under the base scenario or the stressed/adverse scenario.

Quarterly, the Bank reviews the ICAAP's assumptions, namely, in what concerns the assessment of the materiality of the risks that are considered as "non-material", the updating of the projections considered under the macroeconomic scenarios, the analysis of gaps in the business plans, the update of the assessment on the main ICAAP's material risks and the RTC calculation. The results are reported to the Bank's management bodies and are one of the major sources for the revision of the Group RAS. Whenever there are significant changes in the Group's risk profile, the capital adequacy model is recalculated.

The results of the ICAAP, as of 31/12/2018, show that current capitalization levels are adequate for the 3-year time horizon, both in the baseline scenario and in the stressed/adverse scenario.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Executive Committee member that is responsible for Risk Management.

GAVM is a unit structure from the 2nd line of defence, within the scope of model risk management, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured.

GAVM's scope of action encompasses, among others, the follow-up and monitoring of credit risk systems and models (rating systems) and of the market risks models, as well as the ICAAP´s validation, reporting the results of the follow-up and validation to the Models Monitoring and Validation Sub-Committee and to the Risk Commission.

Besides the activities directly connected with the follow-up and performance validation of models, GAVM is responsible for the coordination of the model risk management activities.

In 2018, several actions were carried out to monitor and validate the internal models in use by the Bank. These actions aim, *inter alia*, to reinforce the confidence in the models, to monitor their performance and evolution, ensuring their adequacy to the business reality and their compliance with current regulations, as well as to reinforce the identification and reaction capabilities to changes in their predictive quality.

Within the scope of models' validation, a highlight is made on the analysis of the risks quantification under the ICAAP, the validation of the expected credit loss model under IFRS9[(*)], the validation of the internal model for market risks and the validation of the internal credit risk models related to Probability of Default (PD) applicable to the Retail, Corporate, Real Estate Promotion and Project Finance segments, as well as of the LGD models.

GAVM develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with growing regulatory challenges, by significantly reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

(*) International Financial Reporting Standard 9 Financial Instruments

As part of the models follow-up, the Group regularly participates in the Benchmarking and TRIM exercises.

In 2018, the preparation of the TRIM exercise on credit risk models - applicable to the Corporate segment (Portugal), starting in the last quarter and running for a period of four months - should be highlighted, due to its importance and the resources allocated.

The application that supports the Model Risk Management framework has been implemented and the Bank has available a tool for the management and risk assessment of models, supported by a functional and approval workflow that fits within internal documentation requirements and is fully aligned with applicable regulations and supervisory expectations.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group has drawn and annually revises a Recovery Plan for its business and activities, in which a large set of key indicators are defined; these are permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and supervision bodies, is mandatory.

Indeed, from the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment and from the modelling of all variables, metrics and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The priorities, responsibilities and specific measures to be taken in a liquidity contingency situation are defined by the Recovery Plan, which is supported by an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible capital and/or liquidity crises. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis situation.

The Recovery Plan is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations), Bank Millennium's Recovery Plan (Poland) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

In 2018, there was a significant improvement of macroeconomic indicators in Portugal, reflecting the positive developments in the flexibility of budget funding, sustainability of public debt, sounder financial system and reduction in external vulnerability. Rating agencies have recognised the progress achieved and, as a result, at the end of 2018, all of them assigned an investment grade rating to the Portuguese Republic.

During 2018, Portuguese banks continued to pursue their activities within a challenging context, with the ECB keeping interest rates at low levels, which constrains the net interest income and in turn the profitability of the financial system. However, it is important to highlight the progress in the improvement of Portuguese banks' asset quality – through the reduction of NPEs –, as well as the strengthening in capital and profitability levels, contributing for a better outlook of the Portuguese banking sector's performance.

Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high, which is one of rating agencies' main concerns. In contrast, the return, despite subdued, to positive levels of profitability suggests an improvement in Portuguese banks' operations.

In 2018, three rating agencies recognised the success on the implementation of BCP's strategic plan, which led to the upgrade of the bank's long term rating by 1 notch: S&P Global Ratings on October 9th, Moody's on October 16th and Fitch Ratings on December 6th.

Moody's	
Baseline Credit Assessment	b1
Adjusted Baseline Credit Assessment	b1
Counterparty Risk Assessment LT / ST	Baa3 (cr)/ P-3 (cr)
Counterparty Risk LT / ST	Ba1 / NP
Deposits LT / ST	Ba3/NP
Senior Unsecured LT / ST	Ba3/NP
Outlook deposits / senior	Positive
Subordinated Debt - MTN	(P) B2
Subordinated Debt	B2
Additional Tier 1	Caa1 (hyb)
Other Short Term Debt	P (NP)
Covered Bonds	Aa3

Rating Actions

16 October 2018 - Upgraded the Baseline Credit Assessment (BCA) and adjusted BCA, from 'b2' to 'b1'. Also upgraded the ratings on long term Deposits and Senior Unsecured Debt, from 'B1' to 'Ba3'.

4 December 2018 - Reaffirmed the ratings on long term Deposits and Senior Unsecured Debt at 'Ba3', reviewed the long term Senior Unsecured Debt outlook from 'positive' to 'developing'.

Standard & Poor's	
Stand-alone credit profile (SACP)	bb
Counterparty Credit Rating LT / ST	BBB- / A-3
Issuer Credit Rating LT / ST	BB / B
Outlook	Stable
Subordinated Debt	B
Additional Tier 1	CCC+

Rating Actions

9 October 2018 - Upgraded the long term issuer credit rating from 'BB-/B' to 'BB/B' and the Resolution Counterparty rating from 'BB+/B' to 'BBB-/A-3'.

Fitch Ratings	
Viability Rating	bb
Support	5
Support Floor	No Floor
Deposits LT / ST	BB / B
Senior unsecured debt issues LT / ST	BB / B
Outlook	Stable
Subordinated Debt Lower Tier 2	BB-
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

6 December 2018 - Upgraded the Viability Rating, from 'bb-' to 'bb', and the ratings on long term Deposits and Senior Unsecured Debt from 'BB-' to 'BB'. Reaffirmed the short term ratings at 'B' and upgraded the long term Subordinated Debt rating from 'B+' to 'BB-'

DBRS	
Intrinsic Assessment (IA)	BB (high)
Critical obligations	BBB/R-2(high)
Deposits LT / ST	BB (high) / R-3
Senior Debt LT / ST	BB (high) / R-3
Trend	Positive
Dated Subordinated Notes	BB (low)
Additional Tier 1	B (low)
Covered Bonds	A

Rating Actions

11 June 2018 - Reaffirmed BCP ratings, including the Intrinsic, the long/short-term Senior Debt and Deposits ratings at 'BB (high)' / 'R-3', the long/short-term critical obligations rating at 'BBB' / 'R-2' and the Subordinated Debt rating at 'BB (low)'. Changed the Trend on all ratings to Positive.

Capital

According to BCP's interpretation of CRD IV/CRR to date, the CET1 estimated ratio as at 31 December 2018 stood at 12.1% and at 12.0% phased-in and fully implemented, compared to the 13.2% and 11.9%, respectively presented as at 31 December 2017, and above the minimum required ratios under the SREP (Supervisory Review and Evaluation Process) for 2018 (CET1 8.81%, T1 10.31% and Total 12.31%).

This CET1 performance during 2018 mainly reflects:

- the phase-in progression along with the application of the 2018 SREP result, leading to a CET1 reduction of Euros 694 million and a Euros 439 million reduction of risk weighted assets, as at 1 January 2018 (-160 basis points in CET1 phased-in ratio);
- the IFRS9 adoption, resulting in reductions of the CET1 by Euros 101 million and of risk weighted assets by Euros 20 million in (-25 basis points in CET1 phase-in ratio);
- The organic generation of capital, contributing positively to the performance of capital ratios on this period.

SOLVENCY RATIOS

(Euro million)

	31 Dec. 18	31 Dec. 17	31 Dec. 18	31 Dec. 17
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	5,047	5,319	5,024	4,738
Tier 1	5,121	5,319	5,102	4,809
TOTAL CAPITAL	5,688	5,932	5,663	5,457
RISK WEIGHTED ASSETS	41,883	40,171	41,819	39,799
CAPITAL RATIOS (*)				
CET1	12.1%	13.2%	12.0%	11.9%
Tier 1	12.2%	13.2%	12.2%	12.1%
Total	13.6%	14.8%	13.5%	13.7%

(*) Includes net earnings for the year.

The Bank was informed of the European Central Bank's (ECB) decision regarding the minimum prudential requirements to be fulfilled from March 1st, 2019, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII). These decisions defined the following ratios, determined as a percentage of total risk weighted assets (RWA): 9.625% for CET1, 11.125% for T1 and 13.125% for Total Capital. In addition to the minimum requirements set by CRR article 92, these minimum own funds requirements include 2.25% of Pillar 2, 2.5% of additional conservation buffer and 0.375% of other systemically important institutions (O-SII) buffer.

The estimated impact on CET1 ratio, considering the application of the SREP result and the phase-in progression for 2019, stood at +3 basis points in fully implemented ratio and +10 basis points in phased-in ratio.

In January, the Bank issued perpetual subordinated notes qualified as Additional Tier 1 (AT1), in the amount of Euros 400 million. The estimated impact on Tier1 ratio of this operation stood at +96 basis points, both in fully implemented and phased-in.

Bank Millennium, S.A. in Poland issued, also in January, subordinated bonds qualified as Tier 2 capital instruments, amounting 830 million zlotys. The estimated impact on total ratio stood at +11 basis points in fully implemented and +10 basis points in phased-in.

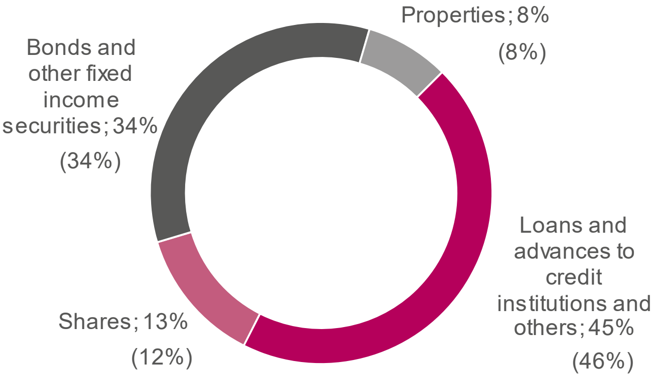
Pension fund

The Group's responsibilities with pensions on retirement and other benefits stood at 3,066 million Euros as at 31 December 2018, comparing to 3,050 million Euros as at 31 December 2017. These responsibilities are related with the payment to Employees of pensions on retirement or disability.

As of 31 December 2018, the Pension Fund's assets reached 3,078 million Euros (3,166 million Euros as at 31 December 2017) and a positive rate of return of 0.2%, which compares unfavourably to the assumed actuarial fund rate of return of 2.1%.

As at 31 December 2018, the structure of the Pension Fund's portfolio does not show material changes from the position existing at the end of 2017. The main asset categories in the Pension Fund's portfolio, as at 31 December 2018, were as follows:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2018



(xx%) Proportion as at 31 de December 2017

The main actuarial assumptions used to determine the Pension Fund's liabilities as at 31 December 2018 and for the years ended 2017 and 2016 are shown below:

ASSUMPTIONS	31 Dec. 18	31 Dec. 17	31 Dec. 16
Discount rate / Fundo return rate	2.10%	2.10%	2.10%
Increase in future compensation levels	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019
Rate of pensions increase	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Projected rate of return on fund's assets	2.10%	2.10%	2.10%
Mortality tables			
Men	TV 88/90	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable	Not applicable
Normal retirement age	66 years and 4 months	66 years and 3 months	66 years and 2 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%	1.00%

At the 2016 year end the Collective Labour Agreement was revised and the respective impacts were recognized on the consolidated profit and loss account. The changes introduced in the Collective Labour Agreement were only formally accepted by the "Northern Trade Union" in April 2017 and therefore the respective impact was recognized in first half of 2017.

At the 2017 year end, the agreement of the Group's Pension Fund was amended in order to incorporate the responsibilities that have been directly supported by each Group entity (extra-fund liabilities), as well as the changes introduced in the Group's Collective Labour Agreements, in terms of retirements benefits.

The Group's responsibilities were fully funded and kept at a higher level than the minimum set by Banco de Portugal, presenting a coverage rate of 100% as of 31 December 2018.

As at 31 December 2018, the actuarial losses, amounting to 98 million Euros (29 million Euros of positive actuarial deviations in 2017) are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the estimated income of the pension fund and the values effectively verified.

The main indicators of the Pension Fund as at the end of 2018, 2017 and 2016 are as follows:

MAIN INDICATORS	31 Dec. 18	31 Dec. 17	31 Dec. 16
Liabilities with pensions	3,066	3,050	3,093
Value of the Pension Fund	3,078	3,166	3,124
Coverage rate (*)	100%	104%	101%
Return on Pension Fund	0.2%	4.2%	-2.6%
Actuarial (gains) and losses	98	-29	303

(*) As at 31 December 2016, the coverage rate corresponds to a pro-forma ratio, presented on a comparable basis, assuming that the extra-fund liabilities would have been formally incorporated into the Group's Pension Fund by the end of that year (inclusion that ocurred formally in 2017 by the approval in the contract constitutive of the Fund).

Information on trends

Despite the acceleration of the economic recovery in Portugal, the stabilisation of the banking industry and the decrease in public and private indebtedness, Portuguese banks continued to operate in a challenging environment in 2018. Banks are operating within a context of very low interest rates, exercising pressure on the net interest income. Moreover, Portuguese Banks still have a significant number of non-interest bearing assets in their balance sheets. In addition, the context is marked by fast technological evolution and, pursuant to the Payment Services Directive 2 ("PSD2"), by the competition from new players in the market (Fintechs). There are also new regulatory requirements, namely, as a result of the adoption of IFRS16 as of January 2019.

Banco de Portugal's forecasts for the Portuguese economy, from 2018 to 2021, point towards the slowdown of the recovery of economic activity, converging to the expected GDP growth for the Euro Area. GDP is expected to have grown, on average, 2.1% in 2018, 1.8% in 2019, 1.7% in 2020 and 1.6% in 2021, after having grown 2.8% in 2017. It is expected that the contribution provided by net exports will gradually decrease its importance in GDP's growth between 2018 and 2021. According to the projections by the Ministry of Finance, the public deficit should decrease to 0.5% of the GDP in 2018, the lowest ever since Portugal joined the Euro Area. A surplus is expected as soon as 2020.

The four rating agencies that rate the Portuguese Republic upgraded their ratings (two in 2017 and two in 2018). At the end of October 2018, four rating agencies assign an investment grade rating to the Portuguese Republic, which translated, together with the improvement of the market's perception of the Portuguese Republic, into a sharp decrease in sovereign risk premiums and bank premiums.

In accordance with Banco de Portugal, Portuguese banks resort to the ECB in the amount of EUR 18.9 billion at the end of December 2018. There figures are consistent with the downwards trend in place since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from the resilient performance of deposits, namely from individuals (+3.8% year-on-year at December 2018, with demand deposits up 15.9% and term deposits up 3.8%, also year-on-year).

Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals increased 0.1% and loans to companies decreased 0.3%, year-on-year, respectively, in December 2018. The loans-to-deposits ratio of the banking sector in Portugal stood at 89% at the end of September 2018 versus 128% at the end of 2012 and 158% at the end of 2010.

The loans granted by BCP continued to decrease but reflects two different dynamics: the NPE portfolio decreased by EUR 2.1 billion in December 2018, year-on-year, and the performing portfolio increased by EUR 2.2 billion (in Portugal: NPE portfolio decreased by EUR 2.0 billion and performing portfolio increased by EUR 1.1 billion). At the same time, deposits also continued to grow: +4.6% year-on-year, in Portugal, in December 2018. As BCP has excess liquidity (loans-to-deposits ratio stood at 87% in December 2018), it decided to reduce its use of funding from the ECB to EUR 2.7 billion in December 2018. In the next quarters, these trends will remain in place with the Bank now focused on growing volumes but with the performing portfolio growth being compensated by the NPE reduction. As a result loans-to-deposits ratio will remain below 100% and ECB funding will remain below EUR 4 billion.

At the end of December 2018, BCP was the largest Portuguese private sector bank, with a robust asset structure, a fully implemented CET1 ratio of 12.0%, above regulatory requirements (SREP) and a loans-to-deposits ratio of 87%.

The low level of interest rates is contributing to decrease the spread on term deposits of the Portuguese banks, a trend which continued, albeit at a slower pace, in 2018, more than offsetting the lower spreads in credit. The rates of the term deposits reached, by the end of December 2018, values around 15 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

The price effect on the net interest income should continue to be globally positive, translating the improvement of the net interest income on operations with Customers (differential between the loans average rate and the average rate at which the banks remunerate the deposits). The profitability of the Portuguese banks is expected to continue to be constrained by the prospects of continuation of a low short term interest rates environment.

Several institutions should continue to apply restructuring plans, to increase operating efficiency and the adjustment of business models, which translates into the decrease in the number of branches and employees and in the release of capital allocated to non-core activities. Profitability in the banking industry is still affected by a high NPE stock.

BCP Group has a relevant exposure to Poland where there are risks due to legislative amendments with impact on the Polish financial system, including the ones related to the issue of the conversion of the credits into Swiss francs in Poland. It is worth mentioning that Bank Millennium has been reducing its foreign currency mortgage loans portfolio on average circa of 8% per year and that currently it represents only 27% of the total loans portfolio in Poland.

There are still some risks related to the economic environment experienced by some African countries, with potential impact on the Group, namely Angola and Mozambique, whose economic activity is decelerating, with high inflation, and faced a significant depreciation of their currencies in 2017. In Mozambique the situation should improve once an agreement with the International Monetary Fund is reached.

There is great focus on the management of the stock of problematic assets and respective coverage levels by LLRs. BCP has recently presented a new Strategic Plan (Mobilizing Millennium: 2021 Ambitions and Strategic Plan) which includes a new target of NPEs reduction: 60% reduction of NPE stock, reaching approximately EUR 3 billion by 2021.

It is not yet possible to determine what will be the final impact of the resolution of BES on BCP as an institution participating in the resolution fund created by Decree-Law no. 31-A/2012, of 10 February (the "Resolution Fund"). On 28 March 2018, following the disclosure of the 2017 annual results by Novo Banco, the Resolution Fund made a communication on the activation of the CCA totalling EUR 792 million.

On 24 May 2018, the Resolution Fund communicated having disbursed to Novo Banco the abovementioned funds, of which EUR 430 million were from a loan from the Portuguese State and the remaining amount were from the Resolution Fund's own resources.

In its 2018 annual results press release, Novo Banco states that in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. 69% of this amount results from the losses incurred on the assets included in the CCA and 31% due to regulatory requirements for capital increase in the adjustment of the transitional period of capital ratios and to the impact of IFRS 9. For 2017 and 2018, Novo Banco will have received a total of Euros 1.9 billion out of the maximum of Euros 3.89 billion defined under the CCA.

On 1 March 2019, the Resolution Fund stated that the amount to be paid by the Resolution Fund in 2019 to Novo Banco under the CCA will be carried out after the legal certification of Novo Banco’s accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for.

The Bank has been notified by the Banco de Portugal on the Single Resolution Board's decision regarding the minimum requirement for MREL for the resolution group headed by the Bank, at a sub-consolidated level, which includes the operations based in Portugal, Switzerland and Cayman, and excludes the operations based in Mozambique and Poland (the "Resolution Group").

The MREL requirement has been set at 26.61% of its RWA for the resolution group based on the data of 30 June 2017. Moreover, the Bank has been informed that the MREL requirement needs to be met by 1 July 2022.

This is fully aligned with the Bank's expectations and generally consistent with the funding projections already included in the Bank's strategic Plan for the period 2018-2021, which underpins the medium term performance targets disclosed to the market with the results announcement for the first nine months of 2018. Nevertheless, it must be noted that the MREL requirement may be adjusted in the future by the competent authorities, to reflect their assessment of the underlying risks, business evolution or changes in the profile of the Bank's assets and liabilities.

Non-financial information

Involvement of Stakeholders

The BCP Group defines strategies and pursues dynamic policies adjusted to the new challenges imposed by the interested parties with which it relates, materializing a business model based on an ongoing and transparent dialogue enabling to understand and comply with the expectations of its Stakeholders.

Sustainability Policy

The adopted sustainability policy, which fosters a culture of Social Responsibility, aims to positively influence the organisation's value proposition in the long term, balanced with the well-being of the people, the company and communities in which it operates, while preserving natural resources, climate and the environment.

Within this framework, it is possible to divide the Bank's intervention into three major areas of intervention:

- Involvement with the external community and with the internal community;
- Offer of products and services incorporating social and environmental principles;
- Sharing sustainability principles.

Thus, Millennium bcp assumes, as an integral part of its business model, the commitment to create social value, developing actions for and with several groups of Stakeholders aiming to, directly and indirectly, contribute to the social development of the countries where it operates.

Regarding the United Nations Global Compact Principles, Group BCP also commits to support these 10 Principles establishing a set of values in what concerns Human Rights, Labour, Environment Protection and Anti-Corruption.

The strategy of Millennium bcp in terms of Sustainability is translated in the Sustainability Master Plan (SMP), a plan of commitments that aggregates a number of actions to be carried out by the Bank. The definition of the actions part of the SMP is based on a balanced relation between the identified relevant material issues, the Bank's available resources and the economic and market framework existing at the time.

Sustainability Plan

The Sustainability Plan 2014/18 which, through a close, transparent and consequent relation, intends to face the main expectations identified during the regular surveys made to the Bank's main Stakeholders foresees, in its different aspects, the following initiatives and actions:

SUSTAINABILITY MASTER PLAN (SMP) - 2014 - 2018

Area	Actions
ETHICS AND PROFESSIONAL CONDUCT	Enhance the ties established between the Employees and the Bank's Values Foster a culture of compliance and of a strict management of risk Publish clear policies in the wake of the prevention of corruption, of health and safety issues, human rights and the protection of maternity
SERVICE QUALITY	Implement and improve the satisfaction evaluation processes; Create mechanisms for the immediate detection and management of improvement opportunities in the services provided to Customers.
ACCESSIBILITIES	Improve the implementation of differentiated working hours; Enhance and promote the accessibilities made available to individuals with special needs.
PROXIMITY AND REPORTING	Enhance the proximity and involvement with the Bank's Shareholders; Improve the institutional report in what regards Sustainability; Make a survey to identify the Stakeholders' expectations.
MANAGEMENT OF EXPECTATIONS	Consult the Bank's Stakeholders to know and include their expectations; Collect and implement ideas suggested by the Employees on Sustainability issues.
MOTIVATION	Identify best performances at Client Service level; Support the adoption of healthy lifestyles; Improve the mechanisms ensuring a greater proximity between the Employees and top managers.
PRODUCTS AND SERVICES	Consolidate the Bank's position in the micro credit market; Improve the negotiation and search for solutions able to meet the increasing financial difficulties of the Customers; Promote and launch products that observe social responsibility principles and cope with the new environmental challenges.
SHARE AND PROMOTE AWARENESS	Institutionalize the donation of the Bank's furniture and IT equipment to institutions in need; Implement social and/or environmental awareness actions common to the entire Group; Launch a financial literacy programme transversal to the Bank.
VOLUNTEER WORK	Structure a volunteering programme for and with the participation of the Employees.
PARTNERSHIPS	Develop campaigns together with non-governmental organizations and charitable institutions to foster a sustainable development.
FUNDAÇÃO MILLENNIUM BCP	Strengthen the identity of Fundação Millennium bcp
SOCIAL AND ENVIRONMENTAL RISK	Promote climate changes awareness with corporate clients developing their activities in sectors more exposed to risks and environmental regulations Identify and classify Corporate Clients with greater environmental and social risks Formalize compliance with social and environmental requisites in the relation established with Suppliers
ENVIRONMENTAL PERFORMANCE	Enhance the measures for the reduction of consumption Implement measures aimed at the reduction of waste and the creation of a formal recycling process Formalize and communicate Environmental Performance quantitative objectives

In the meantime and within the scope of the strategy framework of Millennium bcp, the bank already initiated the preparation of the forthcoming Sustainability Master Plan for the three-year period 2019/2021.

Table of Correspondence between the Management Report and the Decree-Law 89/2017

Decree Law 89/2017, of 28 July	Chapter/section	Page/s
Art. 3 (cfr. Art. 66-B and 508-G of the CC): The non-financial statement must contain information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, gender equality, non-discrimination, respect for human rights, anti-corruption and bribery matters, including:		
a) A brief description of the undertaking's business model	2018 Annual Report Information on the BCP Group Business Model	Page 5-23 Page 24-34
b) A description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented	2018 Annual Report Involvement of Stakeholders	Page 127-128
c) The outcome of those policies	2018 Annual Report Value added to each Stakeholder Group Environmental impact	Page 130-143 Page 144-148
d) The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks	2018 Annual Report Main Risks and Uncertainties Risk Management Value added to each Stakeholder Group	Page 92-93 Page 94-119 Page 130-143
e) Non-financial key performance indicators relevant to the particular business	2018 Annual Report Summary of Indicators Main Highlights Value added to each Stakeholder Group	Page 7-9 Page 6 Page 130-143
Art. 4 (cfr. Art. 245 1.r and 2 of the CC): Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.	2018 Annual Report Non-financial statement 2018 Corporate Governance Report	Page 126-148 Sections on the diversity policy of the corporate bodies and on the competences of the Committee for Nominations and Remunerations

Value added to each Stakeholder Group

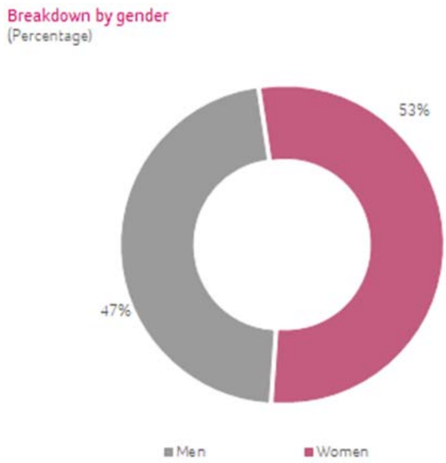
A solid Bank, (more) prepared for the Future

In 2018, the Bank recorded earnings amounting to 301.1 million euros, benefiting from the growth of income in Portugal, from 39.0 million euros to 115.5 million euros and the growth of income in the international activity from 146.2 to 186.9 million euros. Millennium bcp is one of the most efficient banks in the euro area, with cost-to-core income and cost-to-income ratios of 49% and 47%, respectively, in 2018. In this period of time, there was an improvement in profitability, with ROE at 5.2%.

The improvement in asset quality, translated in the decrease in Non-Performing Exposures (NPE) in Portugal to 4.8 billion Euros, as at 31 December 2018 must be emphasized, which shows a descent of 8 thousand million euros since 2013 and the maintenance of a comfortable level of liquidity, seen in the 87% loan-to-deposit ratio. Common Equity Tier 1 ratio, according to the fully implemented criteria, stood at 12.0%.

During 2018, the BCP share was down 16%, exceeding the performance of the European banks index Eurostoxx 600 Banks (-28%).

Employees



BCP Group ensures, in its different operations, a fair treatment and equal opportunities to all its Employees, promoting meritocracy at all stages of their career and defining their remuneration in accordance with category, professional path and level of achievement of the established objectives

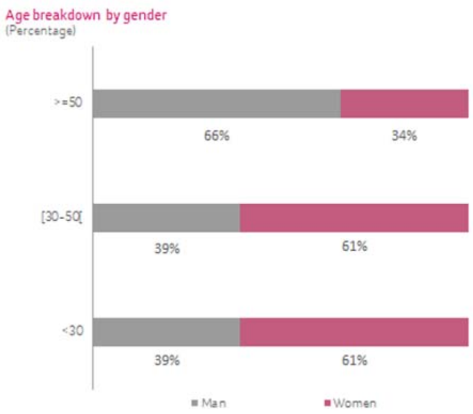
The general principles that rule the BCP Group established a series of values and benchmarks, universally applicable to all Employees, resulting in a clear and unequivocal guidance, so that, regardless of the respective hierarchical or responsibility level, all Employees always act in a fair manner, with no discrimination, and also reaffirming the commitment to the ten Global Compact Principles, under which the Group recognises and supports the freedom of association and the right to collective work agreement negotiation and rejects the existence of any form of forced and compulsory labour, including child labour.

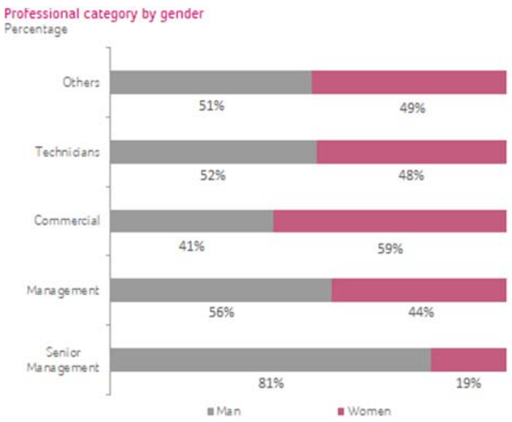
The commitments undertaken by the BCP Group within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies, of which the policies on Human Rights, Equality and Non-Discrimination and Occupational Health and Safety are an example. These policies are available for consultation on the Bank's website, in the Sustainability area

https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Pages/cod_internos.aspx

Within the scope of gender diversity in the Board of Directors, in 2018, globally, in the Group 25% of these functions were performed by women.

Within the scope of gender diversity in management functions (Executive Committee/Senior Management and Management) in 2018, globally, 41% of these functions were performed by women – 21% in Portugal, 59% in Poland, 30% in Mozambique and 27% in Switzerland. In commercial functions, this figure increases to 59% in the Group, i.e. 46% in Portugal, 75% in Poland and 60% in Mozambique.





Training

The Employees are one of the strategic pillars of Group BCP, reason why training continues to be seen as a priority for the development of their professional and personal skills. The search for excellence in the quality of the service provided to Customers involves identifying the training which is most suited to the specific needs of each Employee, taking into account the Bank's strategic objectives.

TRAINING

	2018	2017	2016	VAR.% 18/17
NUMBER OF PARTICIPANTS [(1)]				
On-site	42.906	47.731	39.350	-10.1%
E-learning	158.845	270.833	194.499	-41.3%
Remote	63.512	62.143	68.914	2.2%
NUMBER OF HOURS				
On-site	298.361	326.841	241.384	-8.7%
E-learning	121.634	469.357	94.199	-74.1%
Remote	205.998	143.575	171.046	43.5%
PER EMPLOYEE	39	59	32	-34.2%

(1) The same employee may have attended several trainings.

In overall terms, 6,233 training actions were ministered, corresponding to over 627 hours of training, with an average of 39 training hours per Employee. During 2018, the training effort kept its focus not only on the commercial areas, but also on technical, operational and compliance areas and on team management.

Talent Management

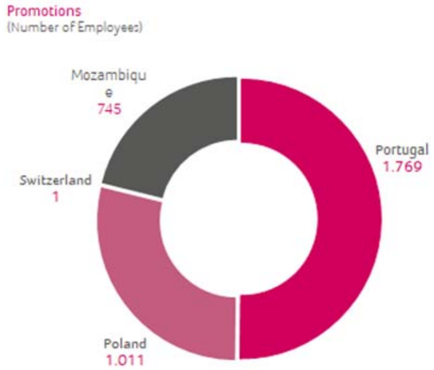
At Group BCP, people management is one of the most important pillars of the Bank's competitiveness and sustainability. Simultaneously with the valorisation of general and specific skills, it is crucial, in an organisational enhancement perspective, to identify Employees with potential and talent, so that in future they can perform duties of higher complexity and responsibility.

The development programmes implemented in the different geographic areas of Group BCP are thus a specific response to Employees with high performance and potential, enabling: i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and ii) experienced Employees the opportunity to acquire the necessary skills so that in future they can perform more complex roles with higher responsibility.

Evaluation and Recognition

At the BCP Group, the individual performance assessment models, based on a process of counselling and guidance towards the development of skills, gives rise to opportunities of dialogue between the senior staff and their Employees, enabling the further deepening of a culture of personal accountability for the development of their careers.

Together with an attitude of encouragement of Employee valuing and adoption of best practices, the BCP Group upholds a policy of recognition of the merit and dedication shown by each Employee, through a system of incentives, a professional valuing plan based on merit and specific distinctions, attributed to Employees with excellent performance.



This is the way the Bank found to materialize a policy for recognising merit, valuing the professionalism shown by 3,526 employees in Portugal (1,912 are women and 1,614 are men).

Satisfaction with Internal Customers

Since Employees constitute one of the strategic pillars of the BCP Group, their level of satisfaction with the service provided by the different internal areas - with direct relation and reflection on the quality of the guaranteed Customer service - is an important endogenous indicator to assess the Bank's effectiveness and perceived efficiency.

The opinion surveys were maintained regarding the satisfaction with the internal service among Employees who interact with other areas to perform their duties, in order to, as part of a continuous improvement policy, identify opportunities for improvement and optimisation of the processes, technological solutions and procedures in force.

In Portugal, these opinion surveys started , as of 2018, to be carried biannually. The global value reached in the survey made in 2017, was 80,2 p.i., showing a positive development if compared with the previous three-year period.

In Mozambique, in 2018, the value recorded was 71 i.p. and 74 i.p., in the Swiss operation.

Benefits

The BCP Group offers its Employees a series of corporate benefits, apart from those established in the applicable legislation. Concerning health and safety, in Portugal and Poland, Millennium Employees benefit from a dedicated medical staff and medical units, which, in Portugal, now include Nutrition and Clinical Psychology. They also benefit from regular medical check-ups. In Mozambique, Millennium bim has: i) a medical office, which, in addition to medical appointments, also offers various medical specialities and basic health care; ii) an HIV office, ensuring prevention and follow-up of this disease; and iii) social support office, offering counselling to Employees.

HEALTH SERVICES [1]

	2018	2017	2016	VAR.% 18/17
MEDICAL SERVICES				
Consultations made	22.507	21.409	19.702	5,1%
Check-ups carried out	9.142	8.831	8.318	3,5%
HEALTH INSURANCES				
Individuals involved	47.257	47.209	47.286	0,1%

[1] Includes active Employees and retired Employees.

Employees of the BCP Group benefit from mortgage loans, permanently and under special conditions. The credit is granted abiding by the credit risk assessment principles set by the Bank's regulations. The Employees may also benefit from loans for social purposes that, among other, serve to meet credit needs in order to face education or health expenses, repairs made in their own domicile or in a rented one and the acquisition of other goods and services with an exceptional nature.

LOANS TO EMPLOYEES [1]

million Euros

	2018		2017		2016	
	Amount	Employees	Amount	Employees	Amount	Employees
HOME LOANS						
In the portfolio	607.7	8.747	661,2	9.405	719,6	9.973
Granted in 2018	25,8	304	24,7	328	22,6	323
SOCIAL PURPOSES						
In the portfolio	11,3	2.548	12,3	2.800	10,3	2.910
Granted in 2018	3,5	870	3,2	848	3,4	907

[1] Includes active Employees and retired Employees.

Staff - Evolution

In 2018, the number of Employees of the BCP Group registered an increase of 1.4% (more 225 Employees) compared to the previous year. Of the 16 061 Employees of the Group, 56% were in international business and 44% in Portugal..

EMPLOYEES

	2018	2017	2016	Var. % 18/17
TOTAL PORTUGAL	7,095	7,189	7,333	-1.3%
Poland	6,270	5,945	5,964	5.5%
of which FTE	6,132	5,830	5,844	5.2%
Switzerland	77	71	72	8.5%
Mozambique	2,619	2,631	2,551	-0.5%
TOTAL INTERNATIONAL	8,972	8,653	8,594	3.7%
TOTAL	16,067	15,842	15,927	1.4%

In Portugal, the downward trend in the number of Employees continued, with 226 having left, 78% of whom through mutual agreement and/or retirement plans and the admission of 120 new Employees. Among the Employees who left, 57% worked in the commercial areas and 11% in management functions.

In Poland, the total staff number also declined (-0.5% relative to 2017), with 167 having left, 42% of whom of their own initiative, and 60% allocated to commercial areas, which was partially offset by the recruitment process, with the integration of 151 Employees.

However, in Mozambique, the bank maintained its trend of growth of number of Employees (5.5%) with the recruitment of 1,687 Employees and 1,356 Employees leaving the Bank, 75% of the latter of their own initiative and 74% allocated to commercial areas.

Clients

Satisfaction Surveys

In Portugal, Millennium bcp continues to focus on the model of assessment of Customer experiences. 24 hours after interaction with the Bank, the Customer is invited to answer a brief questionnaire to assess Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.

In 2018, over 140,000 experiences of Clients who visited Branches of Millennium or were contacted by Client Managers were assessed.

In 2018, the indicator NPS (*Net Promoter Score*), that translates the level of recommendation of the Bank recorded, in the case of Prestige Clients, an increase to 62,2 points, +4,7 points than in 2017; the Mass Market segment, that improvement showed an increase of 3.9 points, to 69.8. Regarding the NPS of Business Clients, it also recorded an expansion, increasing to 60.2 (56.9 in 2017). Based on these results per segment, the global NPS of Millennium bcp is 67.7%, favourably comparing with 64.4% in 2017.

The programme "#1 in Customer Experience" is a transformational project to provide clients with distinctive and memorable experiences through the ongoing improvement of the product and service range, the adaptation of the Bank's channels to today's trends, the simplification of processes and, naturally, the development of the Employees' skills.

In 2018, Millennium continued the program "Training #1" in the Mass Market Branches, every month, approaching themes aligned with the Bank's strategy. Thus, the employees were able to develop skills related with investment products, personal loans, cards, mortgage loans, retirement solutions, offer for the Business Segment, opening of an account via and entitlement of heirs process.

A weekly systematic of "Mini-Training #1", was also introduced, consisting in a 15 minutes session to be made as a team at the weekly sales meeting with the purpose of reminding and practice of relevant aspects of Customer servicing.

Considering the results achieved with the program in Mass Market, a similar project for the transformation of the Client's Experience was launched in the Prestige segment. The project began with a behavioural and commercial techniques training for all Prestige Managers and Branch Managers, followed by a process for the certification of the more than 500 Managers involved. In 2019, the project will continue with the implementation of the monthly training systematic "Training #1" at the Prestige Branches, together with the practice of weekly "Mini-Trainings #1".

The Bank also undertook another "Mystery Client" action which, with 4 vacancies, totalled more than 2,000 visits to Mass Market Branches. In 2018, the results achieved record a slight deviation versus the ones recorded in 2017 and reached, by the end of the year, the target of 81% of completion of the customer service choreography defined by the Bank.

In order to strengthen the measurement of satisfaction and loyalty in the various Customer segments, Millennium bcp continued to monitor various market studies carried out by specialised companies, so as to obtain indicators to position the Bank in the sector and assess, in an evolutionary way, market perception with regard to quality of the service provided, the Bank's image and the products and services it sells. Examples of these studies are the Consumer Choice, the BASEF Banca (Marktest), the BFin (DataE) and the BrandScore.

One needs to point out, within this context, that the first place in the ranking of CSI Banca in the second half of 2018, and the distinction with the Consumers Choice Award 2018, in the category of "Large Banks" in a study carried out by Consumer Choice, are a recognition of the effort that Millennium bcp has been making for the modernization and simplification of bank products and services, but also of the significant Bank's bet on the proximity with the Clients, on a faster servicing. And on the sustainability of its value proposal.

In the international activity, customers' overall satisfaction levels with the Bank recorded a value of 80 index points (i.p.), influenced by the downturn in Mozambique, which fell from 79 to 73 i.p.

In Poland, with 87 i.p. of global satisfaction, the internet banking and mobile banking channels reached 97% of positive reviews in 2018.

Claims

In Portugal, the claims are managed by the Customer Care Centre (CAC). The total number of claims in this operation showed an increase if compared with the previous year for a total of 26,648. A significant portion of these claims regards entries in the current account and mortgage loans. The effort to rapidly solve the claims has been a constant concern of the Bank, which has been able to ensure an average response time of 2 business days.

CLAIMS

	2018	2017	2016	VAR.% 18/17
CLAIMS REGISTERED	**108,244**	76,918	74,363	40.7%
CLAIMS RESOLVED	**107,453**	75,184	70,348	42.9%

Nota: It includes a structural change effect in the complaint handling process at Bank Millennium Poland, aiming at improving the Customer experience by simplifying its registration and immediate treatment.

Regarding international activity: i) Poland recorded more complaints than in the previous year, the majority regarding current accounts, mortgage loans, card transactions and automatic services; ii) in Mozambique, the number of complaints also grew, with cards and current accounts being the most frequently mentioned issues.

The average response time recorded was 11 consecutive days in Poland, and 18 days in Mozambique.

CULTURE OF RIGOUR

The BCP Group considers that respect for the defined mission and values of the organisation, combined with compliance with its approved strategy, depends, first of all, on each Employee. Hence, the Group encourages the pursuit of a culture of rigour and responsibility, supported by mechanisms for the dissemination of information, training and monitoring, so as to permanently ensure strict compliance with the instituted rules of conduct.

Against this background, the implementation of specific training activities and the monitoring of the Compliance Office teams have been a constant feature and a priority. Thus, joint action with the different business areas enabled the training, in Portugal, of 1,600 employees in various topics related to the activity of the Compliance Office, always focused on the Employees' awareness of the need to adopt a professional conduct and behaviour in accordance with a culture of ethics and rigour when performing daily duties This value, which translates into an increase when compared to that verified in Portugal in 2017,, the year when a comprehensive training on the new code of conduct was carried out, results from several training actions of which we point out those on practices for the prevention of money laundering and terrorism financing, the MiFID2 and the new data protection regulations. To provide the Employees with the necessary competences to deal with complex diligence processes, namely those presenting non-negligible risks, in order to decrease operational and fraud risks continues to be part of the Group's activities plan.

TRAINED EMPLOYEES [1]

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Issues.

	2018	2017	2016	VAR.% 17/16
Activity in Portugal [2]	**30.300**	28.123	747	7,7%
International activity	**2,219**	9.093	5.725	-75,6%
TOTAL	**32.519**	**37.216**	**6.472**	**-12,6%**

[1] The same employee may have attended several trainings.
([2] Includes the Macau Branch.

The adequacy and effectiveness of the Bank's internal control system as a whole and the effectiveness of the risk identification and management processes and governance of the Bank and Group continued to be assured through audit programmes which include the analysis of behavioural matters, compliance with legislation, other regulations and codes of conduct, correct use of delegated competence and respect for all other principles of action in force, in relations with external and internal Customers. The Code of Conduct and a set of compliance rulings and policies that rule the bank's activity are available for consultation on the website, governance area.

(https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx).

Relations of cooperation and loyalty have also been maintained with the judicial authorities and with national and international conduct supervision authorities. Within this scope and by its own initiative, it made a total of 784 communications to local Judicial Entities and replied to 2.402 requests.

Social and Environmental Products and Services

The BCP Group offers a complete and broad range of financial products and services, and continues, under the development of its business lines, responsible for offering products and services which incorporate social principles and respect for the environment and nature.

The BCP Group is also aware that the implementation of social and environmental criteria and standards in the commercial offer is reflected in more efficient risk management, reputation value and higher quality of the products and services offered to customers.

In Portugal, Millennium bcp Microcredit continues to be recognised as an alternative for the funding and feasibility of entrepreneurial action and own-job creation, having approved 123 new operations, which corresponds to total credit granted of 1,497 thousand Euros, and helped to create 233 jobs. The volume of loans granted to the 754 operations in portfolio stood at 8,282 thousands Euros, corresponding to principal of 4,423 thousand Euros.

With the objective of continuing to support Clients in financial difficulties and prevent default, Millennium bcp also maintained its focus on the stimulation and applicability of SAF packages (Financial Follow-up Service). In this context, 16,083 contractual amendments were made during 2018 (8,084 mortgage loans and 7,999 consumer credit), with a restructuring value of 643 million Euros (588 mortgage loans and 55 consumer loans) and comprised 13,771 Clients (5,918 mortgage loans and 7,853 consumer loans).

For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account available, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. 469 accounts with these features were opened, corresponding to a total of 4,352 accounts in the Bank's portfolio.

As for students who have decided to continue their academic pathways, the Bank granted 130 new loans in 2018, amounting to 1,332 million Euros, under the University Credit Line. The volume of credit granted to the 381 operations in the portfolio amounted to 2.6 million Euros.

Also in Portugal, the Bank has continued to reinforce its support to companies through agreed credit facilities, adjusted to the particularities of the sector and economy, in particular:

- Support to enterprise creation investment projects by unemployed persons, through the following credit lines: i) Microinvest Line - which financed 18 entrepreneurs to a total of 212 thousand Euros; and ii) Invest+ Line which supported 15 entrepreneurs, to a total value of 527 thousand Euros;
- Millennium bcp joined the “2020 Efficient House” programme, launched by the Portuguese Government and co-funded by the European Investment Bank (EIB), with total funding to be made available by the Bank of 50 million Euros (25 million Euros from the EIB and 25 million Euros from the Bank). This Programme aims to grant loans under favourable conditions to credit operations that promote the improvement of the environmental performance of private housing buildings, especially focusing on energy and water efficiency, as well as on waste management, and is available since June 2018 - 15 operations were completed, totaling 173 thousand Euros;

- Funding lines (PME Crescimento) aimed at SMEs intending to carry out investment projects or increase their working capital. Completion of 1,049 operations, with total funding of 119,666 thousand Euros.
- Regarding support to companies in the agricultural and/or fisheries sector, 128 operations were conducted involving a total financing of 8,009 thousand Euros through the PRODER/PROMAR and IFAP Short Term credit lines.
- A credit line - Social Invest - was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2018, the Bank kept a portfolio of 9 operations, totalling 251 thousand Euros.
- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 4 operations were financed, totalling 1,256 thousand Euros.
- The Bank also made available the - Linha Capitalizar Mais -, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Societies that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. Millennium bcp financed 43 operations totalling 11,266 million Euros in credit.

In Poland, the WWF Millennium MasterCard credit card, offered since 2008, takes up an environmental commitment. For each card subscribed, the Bank transfers to WWF Poland (World Wide Fund For Nature) half of the first annuity and a percentage of each transaction made. In 2018, more than 11.6 thousand euros were transferred, for a total of 1,466 cards, 316 of which were subscribed in the year..

The BCP Group meets the needs of Investors that consider it relevant to cover, in their investments, social and environmental risk factors, placing Responsible Investment Funds at their disposal for subscription:

- In Portugal, the funds are available through: The online platform of Millennium bcp – which marketed 4 environmental funds in the area of energy, amounting to a portfolio value above 7,398 thousand Euros on 31 December; and ii) ActivoBank – offering 16 investment funds, of which 8 are ethical funds and 8 are environmental funds, with a total portfolio value above 835 thousand Euros. On 31 December, 12 of these funds had participation units subscribed during the year, with a global subscribed value amounting to 421 thousand Euros, an increase versus the 220 subscribed in 2017.

- In Poland, Bank Millennium also has a solid offer of SRI funds, fundamentally aimed at Customers of the Prestige and Private segment, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change. The 4 available funds were subscribed by 724 Clients, totalling 6,5 million Euros.

Support to the Community

The strategy of BCP Group is the promotion of a culture of social responsibility, developing actions for and with several groups of Stakeholders aiming at, directly and indirectly, contributing to the social development of the countries where it operates.. It is in this context of proximity to the community that its policy of social responsibility has developed, giving priority to its intervention on cultural, educational and social initiatives.

In Portugal, Millennium bcp continues to promote and create opportunities for the participation of its Employees as volunteers in actions to support the external community:

- In the context of the Food Bank's food collection campaigns, Millennium bcp once again was present at the warehouses, helping to separate and store the food. In 2018, in the two campaigns made regularly, the Bank helped at a national level and ensured a participation of more than 190 volunteers, Employees and their relatives.
- The Bank supports Junior Achievement Portugal (JAP) in its entrepreneurial, creativity and innovation projects, through the Bank Employees' participation as volunteers. During the school year 2017/2018, 25 volunteers of Millennium bcp monitored more than 651 students of 23 schools in the various programmes of Junior Achievement Portugal, in a total of 248 hours of corporate volunteer work.

The Bank has also been organizing, supporting and following up internal solidarity actions that promote a culture of proximity and add social value and are also a significant contribution for the materialization of its Social Responsibility Policy in Portugal. Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Corporate Marketing, Operations, Quality and Network Support, we highlight:

- "Acreditamos: Ajudamos a Dar (mais) Cor à Esperança", an internal initiative whose purpose was to collect colourful child sticking plasters, painting books and pencils for the children supported by the association ACREDITAR. With the contribution given by the Bank's Employees at a national level, it was possible to collect around 700 boxes of band-aids - more than 250 individual band-aids;
- "Uns Comovem-se, Outros Movem-se", an internal initiative of the Quality and Network Support Division the purpose of which is to collect animal feed, shelters and hygiene products foe the animals sheltered by "APA - Associação de Proteção dos Animais" that was able of gathering 260 kg of animal feed and approximately 100 goods, such as feeders and crates, beds and warm clothing;
- "Millennium -Solidário (Solidarity) - Christmas 2018", an internal campaign the purpose of which was to collect, in Lisbon, food, hygiene products and toys for the babies and children sheltered by Ajuda de Berço and in Porto, of clothes, warm clothes, food, hygiene products and toys, in this case for the children, young people and adults assisted by Cáritas Diocesana. By means of the usual commitment shown by the Employees of the Bank, it was possible to collect approximately 4,500 goods.

Millennium bcp also carried out a number of initiatives in support to institutions and initiatives able of generating social value, of which we point out:

- Participation in the 1st edition of Marketplace Cascais, a social market drawing together companies, local authorities and non-profit institutions, where the participants display their offers and needs, promoting a sharing of knowledge and experiences which give rise to the exchange of goods and services. Millennium bcp which was present for the fourth time at events promoted by Marketplace, established 14 agreements for donation of material with different social solidarity institutions and already provided support, during these editions, to a total of 37 institutions;
- Regular support to institutions through the donation of IT equipment and office furniture that is no longer

used, but is in condition to be reused. Currently, the Bank has a protocol signed with Entreajuda, the main beneficiary Entity. In 2018, the Bank donated over 2,392 items of IT equipment and furniture to 78 institutions, 329 of which to Entreajuda.

- Culturally speaking, we must point out the 10th Festival ao Largo, which every year presents on stage at Largo de São Carlos a series of shows with the best of opera, ballet and symphonic music. This action intends to take art to a wider public, thus contributing to the cultural enrichment of the country.
- The event "Portugal Restaurant Week", which counted once again with the participation of Millennium bcp, enabled the attribution of a financial support to the solidarity institutions Liga Portuguesa Contra o Cancro and Make a Wish. With the donation of one Euro per each menu Restaurant Week consumed, the amount donated exceeded 25,000 euros.

In terms of financial management and financial literacy, Millennium bcp contributed to increase the level of financial literacy and the adoption of adequate financial behaviours:

- The promotion, in its institutional website, of the following instruments – Savings Centre, Finance Managers and the Kit for unexpected expenses which, despite being independent tools, have the same purpose: supporting the client to balance his/her personal budget. In the M Vídeos area of the website it is also possible to find tutorials and savings suggestions;
- The Bank continued to regularly share contents related with financial planning at the "Mais Millennium" Facebook page.

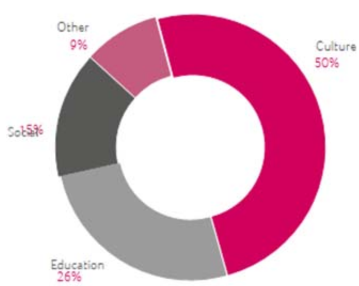
- The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Banks Association), together with several financial institutions and the Instituto de Formação Bancária, whose mission was to develop and support initiatives for the promotion of the financial education of all citizens.. Of the activities developed in 2018, we highlight the European Money Quiz, an initiative for digital learning of financial literacy supported by the national Banking Associations of Europe, coordinated by the European Banking Federation, which was able to get for the first time over 41 thousand students, aged between 13 and 15 years old and coming from all over Europe, competing against each other, testing their ability to manage personal finances.

In Poland, Bank Millennium continues to carry out a significant number of actions, notably:

- Corporate volunteering program "Milantrop" addressed to all Bank Employees and aimed at supporting local communities. The programme enables two types of volunteer service - the organization of personal initiatives or the participation in projects envisaged by the Foundation. The projects developed so far counted with the involvement of 441 volunteers, corresponding to 1,099 volunteer hours, providing benefits to more than 6,900 persons;
- "Financial ABCs", a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children. In 2018, the Foundation carried out 1,300 workshops in 400 kindergartens involving more than 33,000 children throughout the country. This program is also supported by the Ministry of Education and of the Children's Ombudsman, support that reaffirms its educational value;
- Since 2013, every year at Christmas the Bank organizes a solidarity auction for the sale of handicraft. This auction, where the offers are made through the intranet, gathers several hundreds of items created and produced by the Bank Employees. The sale proceeds are used in the treatment of disabled children related to the Employees. In 2018, this initiative enabled gathering the record amount of 19 thousand euros;

- Concerning education, we must highlight the following: i) the programme Millennium Bankers, aiming at helping university students in their first contacts with the labour market. In 2018, it supported 67 students ; ii) "Millennium Academy", a program that provides workshops free of charge for students which, in 2018 was able to have 612 participants;
- Bank Millennium also provided support to the Docs Against Gravity, the largest and more global festival of documentary films in Poland, being this the most significant sponsorship given by Bank Millennium in terms of culture. This film festival, supported by a huge communication campaign and by a number of debates, workshops and other events takes place in 26 Polish cities.

Donations allocated by intervention area
(Percentage)



In Mozambique, the Bank's social commitment is embodied in the "More Mozambique for Me" programme, one of the references of the BCP Group under Corporate Social Responsibility aimed at tightening relations with local communities, which continues to focus on projects in the area of health, education, culture, children and youth sports, and community development:

- Millennium bim Mini Basketball Tournament - in its 13th edition, involved 1,600 athletes, aged between 6 and 11 years old, from, for the first time, all Mozambican provinces;
- Millennium bim Race - 13th Edition of an event that intends to foster the development of this sporting activity, finding new talents and adopting healthy habits. More than 1,300 athletes participated;
- 8ª Edition of the Helpo Solidarity Race – Millennium bim supported this event once again which was held in four Mozambican cities and also in Vila Real, in Portugal, and São Tomé, in São Tomé and Príncipe. 600 children participated in an initiative for the eradication of poverty and the promotion of a healthy life and the practice of sporting activities.
- "Uma Cidade Limpa pra Mim" (A Clean City for Me)– i) An environmental education project the purpose of which is to create new waste treatment habits in students, betting on recycling and its importance for the city cleaning; ii) production and execution of a tile wall made from recycled plastic collected at the beaches and streets of Maputo;
- Partnership with the Girl Move Foundation, whose objective is to support the Leadership and Entrepreneurial Skills Advanced Program for young women with a licentiate degree;
- Millennium bim Responsible – internal campaign "Ajude-nos a Ajudar" (Help us to help), wherein the employees donated essential relief items which were later distributed by two child care institutions;;
- "Millennium bim - Banking Olympics", a project on financial literacy whose objective is to introduce basic financial concepts, providing students and teachers with knowledge that will enable them to make balanced decisions in the management of their savings and pursue entrepreneurial projects. In its 9th edition, this initiative counted with the participation of 400 students, representing 10 schools. After trials, 40 finalists were selected. The winner project called "Culture", of Escola Secundária Gwaza Mutine, will be implemented at the beginning of the school year with the support from Millennium bim;

- Project supporting the construction of classroom blocks and library in Escola Primária (primary school) Completa de Bêbedo (Gorongosa),l, together with Helpo. Within the scope of corporate volunteer actions, the bank undertook an action where 15 employees cleaned, painted and organized the school rooms;
- Action for the renovation of the Paediatric Unit of Rural Hospital of Chicumbane, in the province of Gaza, wherein 25 employees painted, assembled and installed new furniture.

FUNDAÇÃO MILLENNIUM BCP

The Millennium bcp Foundation, under the institutional social responsibility and cultural patronage policies, represents an agent of creation of value in society, in the different areas of its intervention, namely Culture, Education/Research and Social Solidarity.

Within the scope of Culture - the Foundation's main vocation - it gave precedence to initiatives for the free of charge access for the Conservation and Disclosure of the Bank's Heritage, among which are the following:

- Maintenance of the Archaeological Nucleus of Rua dos Correeiros (ANRC) and management of the guided tours. It received 9,900 visitors;
- Exhibits in the Millennium Gallery, namely the following: "A Partir do Surrealismo",opened on 25 September 2017 and ended on 3 February 2018, counting with the presence of approximately 1,370 visitors in 2018; "Poesia Mineral - Eduardo Souto de Moura por Nuno Cera", exhibited from 23 February to 19 May, welcoming around 2.000 visitors; "Salvem a Sardinha", an initiative that, from 2 to 30 June was visited by around 1,880 persons; "Ballets Russes", with around 1,860 visitors from 7 July to 20 October. The Millennium Gallery was visited by 7.110 persons in 2018.
- Within the scope of the programme "Shared Art", two exhibits also took place, "A Evolução do Braço" in the

Municipal Museum of Faro, inaugurated on 7 July 2018 and in exhibition until 23 September, welcoming approximately 7,015 visitors and the exhibition “Os Modernistas. Friends and Contemporary artists of Amadeo de Souza-Cardoso, Coleção Millennium bcp”, organized within the scope of the program of the Festival Mimo Amarante which, from 19 July and 31 December welcomed 11,534 visitors.

Both spaces subscribed the “International Day of Monuments and Sites”; “International Museums Day”; “Museums Night”; and the “European Cultural Heritage Conference” with the opening of the ANRC and Millennium Gallery with extended visiting hours.

Supporting projects to modernise important Portuguese museums and to promote museum activities and other cultural activities, of which we highlight:

- Museu Nacional de Arte Antiga (National Museum of Ancient Art) - support to the activities developed by the Museum, restoration of the Nativity Scene Room and the maintenance of the Library;
- National Coach Museum - Support to the restoration of the coaches of the Museum made *in situ* and able of being observed by the visitors. During 2018, the museum received 233,295 visitors (80,332 Portuguese and 152,963 from abroad);
- Portuguese Museum of Contemporary Art – Museu do Chiado (MNAC) - support to the activities pursued by the Museum, to the International Congress “O Retrato: representações e modos de ser” with the displacement of works from Veloso Salgado into the International Congress;
- Beja Regional Museum – Support to the second stage of the process for the re-qualification and promotion of the museum’s assets.
- Directorate General for Cultural Heritage – support to the exhibit “Rota das Catedrais” at Palácio Nacional da Ajuda, within the scope of the European Year of Cultural Heritage.

Within the scope of cultural heritage recovery, architecture and other cultural areas, we may highlight the following:

- World Monuments Fund Portugal (Association) - Support to the project for the conservation of the church of the Monastery of Jerónimos;
- Palácio Nacional da Ajuda: support to the conservation and restoration works of Room D. João IV;
- Regional Directorate of Culture - North – Recovery of Churches of the Historic Centre of Oporto, namely of Igreja das Almas and São José das Taipas; Igreja de São Nicolau; Capela da Senhora do Ó and Igreja de São João Novo;
- Association Castelo D' If - 9th edition of the event “Opening of Artists' Studios ” which include the opening to the public of the work spaces of several artists, in Lisbon. This edition had the participation of 52 studios and 190 artists, 178 Portuguese artists and 12 from abroad;
- Isto não é um Cachimbo (Association) - Map of the Arts - a digital platform focused on the promotion of contemporary art presenting Lisbon's contemporary art spaces, such as art galleries,museums and foundations. This map may be consulted using the website or in a hard copy;
- Architecture Triennial - Lisbon Architecture Triennial: the financial aid includes 3 awards: Millennium bcp Triennial Career Award, Millennium bcp Triennial Universities Award and Millennium bcp Triennial Début Award.
- Carpe Diem Arte e Pesquisa - Competition “Young Art Award Fundação Millennium bcp 2018”for students of visual arts or those that ended their course in the two previoius. years It received 130 applications. Among them seven finalists were selected:
- OPART – Teatro Nacional de São Carlos - program of Art Residences in primary schools with the purpose of promoting the teaching of music and arts;
- A+A Books - Publishing the Book “Guia de Arquitetura Souto Moura”;
- BoCA - Biennial of Contemporary Arts - creation and production structure focused on the production and programming of new works of art and of special events portraying different fields of contemporary art;
- Out of The Wall - support to the interactive exhibit “Extinction – the End or the Beginning?”. This show, belonging to the Natural History Museum of London, aims to raise awareness to the challenges faced by the preservation of the environment;

Science and education are paramount for the construction of a developed society and for the exercise of a responsible and informed citizenship. Therefore, the Foundation increased its participation in several projects for education, scientific investigation and disclosure of knowledge.

- Municipality of Pedrogão Grande – support to "+Future", a project focused on three sides: Education and Citizenship, Road Prevention and Sustainability;
- IMM (Instituto de Medicina Molecular de Lisboa) – project developed by the Centre for Research of Brain Tumours aiming to do research on the mechanisms responsible for the onset and growth of brain tumours, focusing especially on children;
- University of the Algarve - support to the international Degree in Marine Biogeochemistry - organized by the Portuguese Institute for the Sea and Atmosphere (IPMA) and of the Centre for Sea Sciences of the University of the Algarve;
- A scholarship programme of Fundação Millennium bcp, aimed at students from Portuguese-speaking African countries and from Timor (PALOP) It had 7 scholars in 2018;
- Partnership with Millennium bim for the attribution of scholarships (several areas) in Universities of Mozambique to young people evidencing academic merit and lack economic means; It had 27 scholars in 2018
- Fundação para a Saúde (Foundation for Health) - Financial aid to the III Congress SNS: Art Heritage of All, at the Convent of São Francisco in May 2018;
- Universidade Católica Portuguesa (Portuguese Catholic University) - Health Sciences Institute: Pedipedia project, development of an online encyclopaedia, a pedagogical resource to support clinical practices and training in child health care. Its recipients are health professionals, parents and care providers, children and teenagers from the Portuguese-speaking community
- Portuguese Catholic University – Faculdade de Direito (Faculty of Law) – support given to three foreign students of the Master of Laws.
- University of Coimbra – Law School - BBS - Instituto de Direito Bancário, da Bolsa e dos Seguros. Supporting Post-Graduate Degrees from Instituto de Direito Bancário, da Bolsa e dos Seguros (BBS).
- Fundação Rui Osório de Castro: attribution of an award to scientific investigation in the area of paediatric oncology; The award Rui Osório de Castro Millennium bcp was created aiming at the development of innovative projects and initiatives in this area, able to foster and promote better care for children with an oncologic disease;
- Instituto Camões – Award for the best student of Portuguese language 2018, in the United Kingdom;
- Universidade Autónoma Lisboa - Support to the study of the Portuguese diplomatic structure by the International relations Department;
- Acege – Associação Cristã de Empresários e Gestores - support to activities that aim to promote a group of company leaders that works as a dynamic force for a responsible management of the Portuguese companies, thus promoting higher economic productivity and social justice.
- Associação Empresários pela Inclusão Social (EPIS) – Educational project for social inclusion, programme "Mediators for academic success". In 2018, the programme was extended to a greater number of locations, reaching a higher number of students. Within the scope of the programme, EPIS organized, within the European Year of Cultural Heritage for the 50 top students of the 3rd cycle, a visit to the Archaeological Nucleus of Rua dos Correeiros (NARC);
- Associação Geopark Estrela - the Foundation supported an Investigation Scholarship with a 9 month duration in the area of Forest Management and e Risco de Incêndio Florestal na Serra da Estrela;
- CNIS – Confederação Nacional das Instituições de Solidariedade (National Association of Charitable Institutions) - support to the *B-Learning* program to the institutions associated with the CNIS. This action intends to provide training on pedagogical practices namely in the management of the classroom, to teachers from infant school.

Lastly, in the Social Solidarity area, the Foundation supported different actions promoted by several entities. These actions comprised several intervention sub areas, such as childhood/adolescence, poverty, disability, among other.

- Portuguese Food Bank – support to regular food collection campaigns;
- Vida Norte - Associação de Promoção e Defesa da Vida e da Família (Association for the defence of Life and Family) - support to the activities carried out by the institution that helps young mothers in need;
- Ponto de Apoio à Vida – support to an association that helps, welcomes and trains pregnant teenagers and women that are in a fragile economic situation and that, alone, do not have the conditions to take care of their children's birth and education;
- AESE Business School – Programme GOS (Management of Social Organizations) – programme developed in a

partnership established between the AESE - Escola de Direção de Negócios and ENTRAJUDA. The purpose of this program is to provide management training to leaders of non-profit entities in the sector of social economy;

- BUS Association - Social Utility Assets: support for the development of its activities which are the collection of useful goods, forwarding them to individuals/families in need;
- Associação Terra dos Sonhos - "Bolsa com sonhos" - support to the accomplishment of a child' dream or young people in situations of illness or risk;
- Critical Concrete – scholarship grant to the summer school of this sustainable and social architecture programme;
- Fundação Portuguesa de Cardiologia - Support to the Month of the Heart which took place in May, this year under the theme "Colesterol, Dislipidemias e Aterosclerose";
- FAMSER – Associação de Apoio Famílias Desfavorecidas – Projeto GPS - Gerar, Percorrer e Socializar, a specialized residential foster home located in Castro Verde, capable of assisting 30 young people, between 12 and 18 years old;
- Access to Culture – support to the implementation of adequate accessibility services for live shows outside Lisbon and Oporto and set up of a network of theatre that have this access;
- SOS Families Association - Project "Estoril Working for Solidarity" an initiative that brings together various charitable events in the parish of Estoril;
- Association Dignitude: support to the project *Abem*, which consists in a network of solidarity for the distribution of medication to those most in need;
- National Association of Parents and Friends of those wit Rett Syndrome (ANPAR) - support to the project "Art`Inclusion Rett", envisaged to increase inclusion of young people/adults with Rett Syndrome by means of sporting, art and cultural activities;
- EAPN Portugal - European Anti-Poverty Network - support to the project "Schools against Poverty and Social Exclusion", educational and information campaign addressed to the students of the schools of 2nd and 3rd cycle.

The work undertaken by Fundação BCP within the scope of culture was recognised this year by the President of the Portuguese Republic with the commendation as Honorary Member of the Order of Infante D. Henrique.

Besides this commendation, Fundação Millennium bcp also received the "Patronage" award of the Portuguese Museums Association (APOM).

SUPPLIERS

At the BCP Group, the process for selecting suppliers mainly obeys criteria of global competence of the company, functionality, quality and flexibility of the specific solutions to acquire and continuous capacity of providing the service. In all the Group's operations, it is given preference to purchasing from Suppliers of the respective country, with 92.2% in payments to local suppliers.

The Bank's main suppliers are companies which publish their economic, environmental and social performance, ensuring the responsible contracting of products and services.

Since 2007, the BCP Group, namely in Poland and Portugal, includes, as an attachment to the agreements it establishes with suppliers, the Principles for Suppliers which include several aspects, such as compliance with the law, good environmental and labour practices, including human rights and the application of those principles in the engagement of third parties.

Millennium bcp assesses its suppliers through the application of a performance questionnaire including parameters related with the level of observance with the Principles for Suppliers. In 2018, suppliers were subject to continuous monitoring.

Within the scope of the monitoring, Millennium bcp's suppliers are subject to a permanent evaluation process, based on: i) the relationship they maintain with Technical Competence Centres; ii) performance assessment actions and the identification of areas for improvement; and iii) on existing decision-making processes to execute investments and renew contracts.

In Portugal, Millennium bcp participates in the Commitment for Prompt Payment from ACEGE, an initiative that intends to promote the timely payment to suppliers as an ethical exercise contributing not only to the entrepreneurial success but also to increase the competitiveness of the economy. The ratio payment deadline/agreed deadline in Group BCP is 1.

Millennium bcp is a subscriber of the Charter of Principles from BCSD Portugal - Business Council for Sustainable Development. This document establishes the principles that are the guidelines for good corporate management, enabling the subscribing companies to be recognized by their clients, suppliers and by the society in general for the adoption of solid sustainability commitments. The Charter, which the Bank will now promote with its suppliers, encourages subscribers to go beyond legal compliance, adopting rulings and practices recognized and in line with management, ethical, social, environmental and quality standards in any context of global economy.

Environmental Impact

Environmental Responsibility

The BCP Group has been putting in place a sustainability strategy that incorporates and promotes a culture of environmental responsibility and adjustment to climate changes in line with its strategic objectives of digital and technological innovation.

The rationalization of energy, water and materials consumption based on a rationale both of dematerialization of processes and of protection of the surrounding environment are objectives that are part of the core of the environmental policy implemented in all operations of BCP (available for consultation at the Sustainability section of the Bank's website through

https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Documents/Politic_Ambiental.pdf).

The Bank regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency with regard to its main consumption of resources In global terms, the Bank's level of eco-efficiency continued to improve, as a result of the ongoing investment in processes optimization - an example of which is the PV central for self-consumption of Tagus Park that began functioning by th end of 2017 - and of initiatives to increase the Employee's awareness towards the importance of adopting a more responsible environmental attitude. These eco-efficiency measures have enabled the bank to continuously reduce the environmental impact of its activity but also the related operational costs.

In 2018, Group BCP, keeping its trend of cost reduction as occurred in previous years, recorded a decrease in its costs with electricity and fuel in 4% versus 2017.

Apart from the monitoring of the environmental indicators, BCP has an area in charge of the business continuity management that identifies the risks related with climate changes and the incorporation of standard policies and of defined procedures in order to ensure the Bank's ongoing activity in case of natural disasters able of discontinuing it. The Bank also manages indirect environmental risks, during the credit and project finance evaluation and granting process and is able to carry out environmental impact studies, in accordance with the applicable legislation in effect.

BCP Group ensures, on a regular basis, the follow-up of initiatives carried out in all countries where it operates, in view of its local circumstances, and monitors a number of indicators which enable it to measure its environmental efficiency and impact concerning its main resources consumption. The BCP Group continued to invest in operating efficiency measures, in the various operations, by optimizing processes and equipment, reinforcing a set of measures to decrease consumption, giving way to not only technological gains but also environmental ones.

MAIN MEASURES TO REDUCE THE ENVIRONMENTAL IMPACT

Operational Efficiency	Environmental Awareness
Installation of LED lighting in Taguspark A plan to replace fluorescent lights with LED lights in parking areas at Taguspark is under way, with a potential for a 50% reduction of energy consumption for lighting in those areas, thus giving continuity to the optimisation of energy performance in these central buildings; The Bank has also equipped the commercial network with LED lights whenever intervention/remodelling work is carried out in the branches. The Bank has also installed LED lighting in the commercial network whenever intervention / remodelling work is carried out in the branches.	**Internal environmental signs campaign** The internal campaign was followed-up using environmental signs and communication initiatives to promote the reduction of electricity, water and paper consumption through the adoption of behavioural practices to rationalize the use of these resources, contributing not only to the improvement of environmental performance, but at the same time to optimize operating costs and bolster the image of an organization with a strong environ-mental commitment.
Heating Ventilation and Air Conditioning systems (HVAC); Variable speed drives were installed on about 90 ventilation motors in the headquarters buildings at Taguspark, with the potential to decrease by about 30 to 40% of energy consumption associated with the HVAC system ventilation.	**Informing the heads of the organizational areas of the respective consumption of paper (prints) and of ink and toner cartridges.**

Incorporation of speed variators in seven Taguspark buildings, with an estimated saving of more than 300 MWh of electricity, corresponding to a monetary saving of around 36,600 Euros per year.

First year of operation of the Photovoltaic Solar Energy Plant with around 1 MW capacity
Installation of 3,703 photovoltaic panels on three buildings of Millennium BCP in Tagus Park, Oeiras.

In 2018, the plant was able to generate a total of 1,256 MWh of energy for self-consumption, which meant 590.5 tons of CO2 avoided.

Green IT Programme
Reduction in local printing, giving preference to digital archive tools in the purchase of software development services.

The use of webcasting tools was consolidated, with a significant increase of 40% in its use compared to the previous year (28,049 minutes of use in 2018).

"GO Paperless" project, which focuses on the dematerialization of operations as a way to innovate and optimize processes, using electronic document production and electronic signature solutions. In 2018, more “teller” financial transactions were converted into "Paperless" and therefore it was possible to save 2,989,538 prints corresponding to a decrease of 11% of prints made in branches devices when comparing with the same period of 2017.

The Bank continued to promote digitization, which in 2018 recorded a 10% rise versus the previous year.

Total savings of around 4 million Black and white prints (Central Services + Branches), corresponding to around 25 thousand Euros in cost reduction with printing and paper.

36% decrease in cartridges used between 2013 and 2018.

Using digital documents such as, for example, the bank statement in digital format

Clients with e-statement in 2018: more than x accounts in Portugal (x%); 89% of customers in Poland; 67,338 accounts in Mozambique and more than 80% of customers in Switzerland

Digital sale of financial products: In 2018 the Onboarding Digital service was launched, which allows the Bank to be able to open online accounts with Customer authentication via video conference.

Apart from that, Millennium bcp and ActivoBank implemented the 100% digital account opening process.

Campaigns with draw prizes were developed to encourage customers to join the basic digital tools (e-mail, e-statement, website and APP), allowing that in the first half of 2018 the historical mark of almost 65% of active accounts with e-Statement was reached, thus achieving the strategic business goal of increasing the number of customers with digital access: > 35% of clients until 2018; and of digital transactions: > 50% until 2018

Removal of waste bins near the work stations

In Portugal, the Bank proceeded to the general removal of waste bins, with the purpose of rationalizing the configuration of the workstations in the Bank’s Central Services, contributing to the reduction of waste and, above all, their correct separation and recycling. This means that paper/cardboard will be placed in the collection points placed in all wings near the printers and that the unsorted or organic waste and plastic should be placed in the collection points available in the leisure areas.

Sustainable mobility measures
Promotion of the use of video-conference and e-learning instead of travels and preference for the use of rail transport as an alternative to travel by air plane, when economically viable.

In Poland, the replacement of almost all company cars for hybrid cars. This will prevent 500 tons of CO_2 emissions, a 20.6% reduction if compared with the period prior to the replacement.

Kaizen Programme that promotes daily a range of practices related to the continuous improvement of team activities, based on a Lean methodology, thus contributing to processes with greater added value for the Costumer and that has a direct impact on the sustainability of the operations.

In 2018, the Kaizen Committees were resumed on a quarterly basis to monitor and identify the best initiatives of each department and the first team building event was also held to reinforce the team spirit and acknowledge the performance and participation of Employees in the Kaizen Programme.

All year round 467 improvement initiatives were implemented, of which about 10% represented savings in supplies (eg paper, file cabinets and others) of around 63,463 Euros.

Environmental guide for customers and employees and production of a video for advice on how to protect the environment in the workplace in Poland.

Internal campaign for the collection of electronic waste in Warsaw headquarters building for 5 days. About 150 kg of electronic waste was collected from employees.

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The Project "Uma Cidade Limpa Para Mim - Recicla e Ganha" (A Clean City For Me), a partnership with AMOR - Associação Moçambicana de Reciclagem contributes to the first tile wall made from recycled plastic collected at the beaches and streets of Maputo.

Project for the decoration and painting of garbage cans in a partnership with ISARC - Instituto Superior de Artes e Cultura, in Mozambique, continuing its commitment of fostering a responsible environmental attitude in the community.

Ecological Footprint

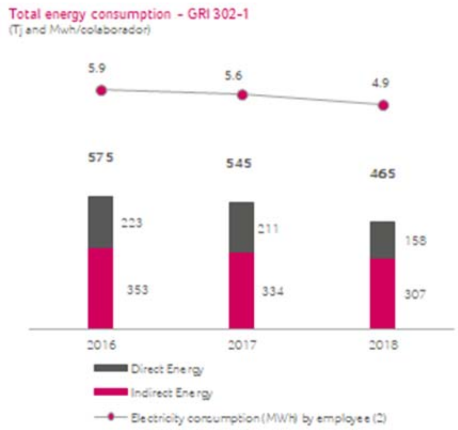
As mentioned above, BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency with regard to its main consumption of resources (5).

The Bank recorded again a year of improvement in the eco-efficiency levels due to the optimization of the thermal power stations, installation of the photovoltaic plant, the ongoing investment in the optimization of procedures, focusing on dematerialization and on the alteration of the daily behaviour of the Employees regarding the rational use of resources.

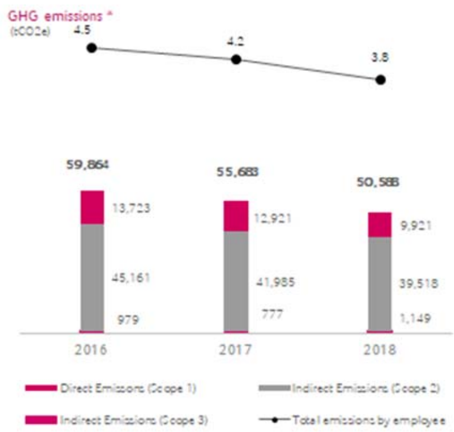
The Bank's consumption of energy is mostly of indirect origin (electricity and thermal energy) and meets 66% of the Bank's energy needs. In 2018, the decrease in indirect (-8%) and direct (-25%) energy consumption proceeded compared to 2017, due to the positive contribution of the various geographies, attributable to the energy efficiency measures that the Group has been implementing.

Concerning the domestic activity, Millennium bcp in Portugal reduced all types of energy consumption by 23% in total, and succeeded in attaining its annual target (-3%). Electricity from the utilities grid fell 9% vs. 2017, as mentioned above, a reduction which enabled to avoid the emission of around 2,673 tons of CO2 and to save more than 500 thousand euros.

(1) Does not include the cogeneration plant and data center in Portugal, neither energy consumption in Mozambique.



(1) Includes the cogeneration plant in Portugal, excludes the data center in Portugal and data from Mozambique.



(*) Does not include Mozambique.

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5 The environmental performance of all the Bank's operations was monitored in 2018, namely in Portugal, Mozambique, Switzerland and Poland, and the consumptions of previous years were presented within the same geographical scope in order to ensure an effective comparability of the results, with the exception of Mozambique whose energy (direct and indirect) and water consumption figures are not available.

As part of the commitment to adapt to climate change, the BCP calculates the Group's carbon footprint with the purpose to contribute to the reduction of greenhouse gas emissions. The Bank also took part in the CDP (Carbon Disclosure Project), and has obtained a Leadership A- classification in 2017.

Overall, the GHG emissions associated with the Group's banking activity continued to decline in 2018, and a decrease of approximately 9% compared to 2017 was registered, as a result of the continuous implementation of several energy efficiency measures introduced in the various geographies where the Bank is present.

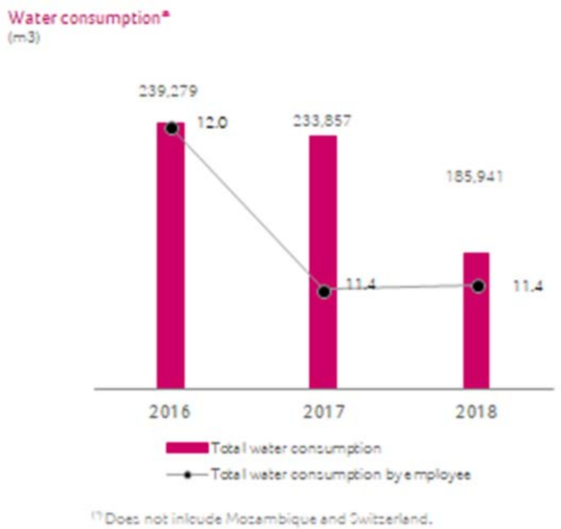
In overall terms, the emissions associated to fuel consumption (scope 1) recorded a slight decrease of 23% compared to the previous year, mainly caused by a reduction in emissions associated with the consumption of natural Gas. Emissions associated to electricity/heat consumption (scope 2) rose slightly around 6%. In emissions associated to service mobility (scope 3) there was an increase of 48%, mainly due to the emissions increase of plane and rail travels.

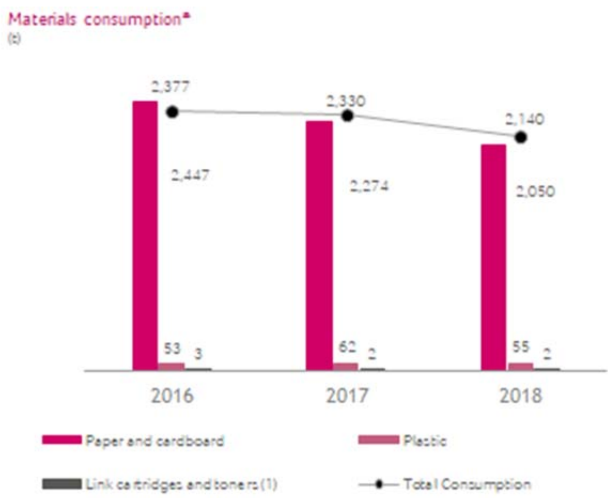
Concerning domestic activity (Portugal), Millennium bcp recorded a 26% reduction in its greenhouse gas emissions versus 2017, exceeding the pre-defined goal (a 5% reduction in CO2 emissions).

Direct emissions fell 27% year-on-year, mainly due to the decrease in the consumption of fuel, namely natural Gas. Indirect emissions associated with electricity consumption decreased by 26% compared to the previous year, due to the reduction in electricity consumption from the public grid, while indirect emissions associated with mobility (scope 3) increased by approximately 15% mainly due to the increase in long-haul flights.

By 2018, overall, the total water consumption of the BCP Group decreased by approximately 21%, mainly due to the reduction of water consumption for irrigation.

In Portugal, total water consumption was 105,392 m3, down 35% from the previous year due to the decrease in the use of public water for irrigation of the green spaces of the Bank's facilities. In this sense, the annual goal of reducing water consumption by 2% was achieved.





Overall, BCP recorded an 8% reduction in the consumption of its main supplies (paper and cardboard, plastic, and toners and cartridges), thus maintaining the trend of previous years as a result of process optimization measures.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in overall terms, fell by 9% in relation to 2017, as a result of the dematerialisation initiatives that have being implemented in all the geographic areas. Ink and toner cartridges also showed a 11% reduction due to measures adopted to decrease printed documents and promote scanning.

In Portugal, in 2018, a decreasing tendency in paper and cardboard consumption continued, reaching 9% compared to the previous year, which did not reach the established annual target (-10% of material consumption). We must point out that the A4 and A3 paper brand used by the Bank has an Eco-label certificate of the European Union which confirms that the paper manufacturing process is environmentally sound.

Further details on the information reported in this chapter - (Responsible Business) -, in particular calculation criteria, the table of Global Reporting Initiative (GRI) indicators and correspondence with the Global Compact Principles, are available for viewing on the Bank's Institutional website, at www.millenniumbcp.pt, under Sustainability.

Regulatory information

2018 Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018

(Thousands of euros)

	2018	2017 (*)
Interest and similar income	1,889,739	1,914,210
Interest expense and similar charges	(466,108)	(522,935)
NET INTEREST INCOME	1,423,631	1,391,275
Dividends from equity instruments	636	1,754
Net fees and commissions income	684,019	666,697
Net gains / (losses) from financial operations at fair value through profit or loss	638	13,964
Net gains / (losses) from foreign exchange	75,355	72,460
Net gains / (losses) from hedge accounting operations	2,552	(32,753)
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(49,432)	(8,325)
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	49,435	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	103,030
Net gains from insurance activity	8,477	4,212
Other operating income / (loss)	(135,878)	(110,606)
TOTAL OPERATING INCOME	2,059,433	2,101,708
Staff costs	592,792	526,577
Other administrative costs	376,676	374,022
Amortisations and depreciations	57,745	53,582
TOTAL OPERATING EXPENSES	1,027,213	954,181
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,032,220	1,147,527
Impairment for financial assets measured at amortised cost	(465,468)	(623,708)
Impairment for financial assets measured at fair value through other comprehensive income	1,092	n.a.
Impairment for financial assets available for sale	n.a.	(63,421)
Impairment for other assets	(79,037)	(220,973)
Other provisions	(57,689)	(16,710)
NET OPERATING INCOME / (LOSS)	431,118	222,715
Share of profit of associates under the equity method	89,175	91,637
Gains / (losses) arising from sales of subsidiaries and other assets	37,916	4,139
NET INCOME / (LOSS) BEFORE INCOME TAXES	558,209	318,491
Income taxes		
Current	(105,559)	(102,113)
Deferred	(32,458)	71,954
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	420,192	288,332
Income arising from discontinued or discontinuing operations	(1,318)	1,225
NET INCOME AFTER INCOME TAXES	418,874	289,557
Net income for the year attributable to:		
Bank's Shareholders	301,065	186,391
Non-controlling interests	117,809	103,166
NET INCOME FOR THE YEAR	418,874	289,557
Earnings per share (in Euros)		
Basic	0.020	0.014
Diluted	0.020	0.014

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018	2017 (*)
ASSETS		
Cash and deposits at Central Banks	2,753,839	2,167,934
Demand deposits at credit institutions	326,707	295,532
Financial assets measured at amortised cost		
Loans and advances to credit institutions	890,033	1,065,568
Loans and advances to customers	45,560,926	45,625,972
Debt securities	3,375,014	2,007,520
Financial assets measured at fair value through profit or loss		
Financial assets held for trading	870,454	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	n.a.
Financial assets designated at fair value through profit or loss	33,034	142,336
Financial assets measured at fair value through other comprehensive income	13,845,625	n.a.
Financial assets available for sale	n.a.	11,471,847
Financial assets held to maturity	n.a.	411,799
Assets with repurchase agreement	58,252	-
Hedging derivatives	123,054	234,345
Investments in associated companies	405,082	571,362
Non-current assets held for sale	1,868,458	2,164,567
Investment property	11,058	12,400
Other tangible assets	461,276	490,423
Goodwill and intangible assets	174,395	164,406
Current tax assets	32,712	25,914
Deferred tax assets	2,916,630	3,137,767
Other assets	811,816	1,052,024
TOTAL ASSETS	75,923,049	71,939,450
LIABILITIES		
Financial liabilities measured at amortised cost		
Resources from credit institutions	7,752,796	7,487,357
Resources from customers	52,664,687	48,285,425
Non subordinated debt securities issued	1,686,087	2,066,538
Subordinated debt	1,072,105	1,169,062
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	327,008	399,101
Financial liabilities measured at fair value through profit or loss	3,603,647	3,843,645
Hedging derivatives	177,900	177,337
Provisions	350,832	324,158
Current tax liabilities	18,547	12,568
Deferred tax liabilities	5,460	6,030
Other liabilities	1,300,074	988,493
TOTAL LIABILITIES	68,959,143	64,759,714
EQUITY		
Share capital	4,725,000	5,600,738
Share premium	16,471	16,471
Preference shares	-	59,910
Other equity instruments	2,922	2,922
Legal and statutory reserves	264,608	252,806
Treasury shares	(74)	(293)
Reserves and retained earnings	470,481	(38,130)
Net income for the year attributable to Bank's Shareholders	301,065	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	6,080,815
Non-controlling interests	1,183,433	1,098,921
TOTAL EQUITY	6,963,906	7,179,736
TOTAL LIABILITIES AND EQUITY	75,923,049	71,939,450

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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.

Application of Results

I

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b), both of the Companies Code, and article 54 of the Bank's articles of association, we propose that the year-end results amounting to € 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of € 30,000,000.00, be applied as follows:

a) For the reinforcement of legal reserve, € 5,926,667.50;

b) For the attribution of dividends € 30,227,979.90, corresponding € 227,979.90 to earnings and € 30,000,000.00 to the reserve for the stabilization of dividends;

c) To be distributed to employees € 12,587,009.00;

d) € 40,525,018.59, that is, the remaining, to Retained Earnings.

II

Considering that the global amount € 30,227,979.90 foreseen in number one as dividends was estimated based on a unit dividend per share issued (in the case,

€ 0.002 per share) and the fact that it is not possible to make an accurate determination the number of own shares in the portfolio on the date the dividends are paid, we do hereby propose, in case of approval of the proposed allocation of dividends, the adoption of a resolution setting forth the following:

a) The payment to each share of the unit dividend of € 0.002, the rational supporting the proposal;

b) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings account.

III

We do hereby propose that, pursuant to the approval regarding the distribution of the global amount of € 12,587,009.00 foreseen in number one of paragraph c), it is resolved that the specific estimation of the amount to attribute, be established by the Executive Committee and paid together with the remuneration corresponding to June 2019.

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 and including trading derivatives), financial assets at fair value through other comprehensive income, 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

Accounts and Notes to the 2018 Consolidated Accounts

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
Interest income	2	1,889,739	1,914,210
Interest expense	2	(466,108)	(522,935)
NET INTEREST INCOME		1,423,631	1,391,275
Dividends from equity instruments	3	636	1,754
Net fees and commissions income	4	684,019	666,697
Net gains / (losses) from financial operations at fair value through profit or loss	5	638	13,964
Net gains / (losses) from foreign exchange	5	75,355	72,460
Net gains / (losses) from hedge accounting operations	5	2,552	(32,753)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(49,432)	(8,325)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	49,435	n.a.
Net gains / (losses) from financial assets available for sale	5	n.a.	103,030
Net gains / (losses) from insurance activity		8,477	4,212
Other operating income / (losses)	6	(135,878)	(110,606)
TOTAL OPERATING INCOME		2,059,433	2,101,708
Staff costs	7	592,792	526,577
Other administrative costs	8	376,676	374,022
Amortisations and depreciations	9	57,745	53,582
TOTAL OPERATING EXPENSES		1,027,213	954,181
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,032,220	1,147,527
Impairment for financial assets at amortised cost	10	(465,468)	(623,708)
Impairment for financial assets at fair value through other comprehensive income	11	1,092	n.a.
Impairment for financial assets available for sale	11	n.a.	(63,421)
Impairment for other assets	12	(79,037)	(220,973)
Other provisions	13	(57,689)	(16,710)
NET OPERATING INCOME		431,118	222,715
Share of profit of associates under the equity method	14	89,175	91,637
Gains / (losses) arising from sales of subsidiaries and other assets	15	37,916	4,139
NET INCOME BEFORE INCOME TAXES		558,209	318,491
Income taxes			
Current	31	(105,559)	(102,113)
Deferred	31	(32,458)	71,954
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		420,192	288,332
Income arising from discontinued or discontinuing operations	16	(1,318)	1,225
NET INCOME AFTER INCOME TAXES		418,874	289,557
Net income for the year attributable to:			
Bank's Shareholders		301,065	186,391
Non-controlling interests	45	117,809	103,166
NET INCOME FOR THE YEAR		418,874	289,557
Earnings per share (in Euros)			
Basic	17	0.020	0.014
Diluted	17	0.020	0.014

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 59).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	420,192	(1,318)	418,874	301,065	117,809
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	17,720	-	17,720	7,131	10,589
Reclassification of (gains) / losses to profit or loss	(49,435)	-	(49,435)	(47,222)	(2,213)
Cash flows hedging					
Gains / (losses) for the year	97,955	-	97,955	92,720	5,235
Other comprehensive income from investments in associates and others	(2,737)	-	(2,737)	(2,681)	(56)
Exchange differences arising on consolidation	(131,345)	-	(131,345)	(104,937)	(26,408)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 44)	14,914	-	14,914	14,914	-
Fiscal impact	(21,410)	-	(21,410)	(18,824)	(2,586)
	(74,338)	-	(74,338)	(58,899)	(15,439)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year	99	-	99	176	(77)
Changes in credit risk of financial liabilities at fair value through profit or loss	2,193	-	2,193	2,193	-
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund	(97,922)	-	(97,922)	(97,922)	-
Pension Fund - other associated companies	536	-	536	545	(9)
Fiscal impact	(15,338)	-	(15,338)	(15,354)	16
	(110,432)	-	(110,432)	(110,362)	(70)
Other comprehensive income / (loss) for the year	(184,770)	-	(184,770)	(169,261)	(15,509)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	235,422	(1,318)	234,104	131,804	102,300

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

	2017 (*)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE YEAR	288,332	1,225	289,557	186,391	103,166
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Available-for-sale financial assets					
Gains / (losses) for the year	438,181	-	438,181	419,821	18,360
Reclassification of (gains) / losses to profit or loss	(103,030)	-	(103,030)	(100,041)	(2,989)
Cash flows hedging					
Gains / (losses) for the year	(36,618)	-	(36,618)	(43,856)	7,238
Exchange differences arising on consolidation	54,808	-	54,808	200	54,608
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 44)	28,428	-	28,428	28,428	-
Others	(3,965)	-	(3,965)	(3,965)	-
Fiscal impact	(67,182)	-	(67,182)	(63,202)	(3,980)
	310,622	-	310,622	237,385	73,237
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund	28,994	-	28,994	28,994	-
Pension Fund - other associated companies	4,135	-	4,135	1,864	2,271
Fiscal impact	(46,965)	-	(46,965)	(46,019)	(946)
	(13,836)	-	(13,836)	(15,161)	1,325
Other comprehensive income / (loss) for the year	296,786	-	296,786	222,224	74,562
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	585,118	1,225	586,343	408,615	177,728

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 59).

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
ASSETS			
Cash and deposits at Central Banks	18	2,753,839	2,167,934
Loans and advances to credit institutions repayable on demand	19	326,707	295,532
Financial assets at amortised cost			
Loans and advances to credit institutions	20	890,033	1,065,568
Loans and advances to customers	21	45,560,926	45,625,972
Debt securities	22	3,375,014	2,007,520
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	870,454	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,404,684	n.a.
Financial assets designated at fair value through profit or loss	23	33,034	142,336
Financial assets at fair value through other comprehensive income	23	13,845,625	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		58,252	-
Hedging derivatives	25	123,054	234,345
Investments in associated companies	26	405,082	571,362
Non-current assets held for sale	27	1,868,458	2,164,567
Investment property	28	11,058	12,400
Other tangible assets	29	461,276	490,423
Goodwill and intangible assets	30	174,395	164,406
Current tax assets		32,712	25,914
Deferred tax assets	31	2,916,630	3,137,767
Other assets	32	811,816	1,052,024
TOTAL ASSETS		75,923,049	71,939,450
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	33	7,752,796	7,487,357
Resources from customers	34	52,664,687	48,285,425
Non subordinated debt securities issued	35	1,686,087	2,066,538
Subordinated debt	36	1,072,105	1,169,062
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	327,008	399,101
Financial liabilities at fair value through profit or loss	38	3,603,647	3,843,645
Hedging derivatives	25	177,900	177,337
Provisions	39	350,832	324,158
Current tax liabilities		18,547	12,568
Deferred tax liabilities	31	5,460	6,030
Other liabilities	40	1,300,074	988,493
TOTAL LIABILITIES		68,959,143	64,759,714
EQUITY			
Share capital	41	4,725,000	5,600,738
Share premium	41	16,471	16,471
Preference shares	41	-	59,910
Other equity instruments	41	2,922	2,922
Legal and statutory reserves	42	264,608	252,806
Treasury shares	43	(74)	(293)
Reserves and retained earnings	44	470,481	(38,130)
Net income for the year attributable to Bank's Shareholders		301,065	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,780,473	6,080,815
Non-controlling interests	45	1,183,433	1,098,921
TOTAL EQUITY		6,963,906	7,179,736
TOTAL LIABILITIES AND EQUITY		75,923,049	71,939,450

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 59).

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See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018	2017 (*)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,652,260	1,699,189
Commissions received	880,287	836,581
Fees received from services rendered	48,866	60,514
Interests paid	(461,280)	(522,214)
Commissions paid	(140,956)	(128,186)
Recoveries on loans previously written off	13,210	16,966
Net earned insurance premiums	17,698	19,847
Claims incurred of insurance activity	(5,393)	(10,891)
Payments (cash) to suppliers and employees	(1,158,346)	(1,086,602)
Income taxes (paid) / received	(67,569)	(118,676)
	778,777	766,528
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	121,768	28,747
Deposits held with purpose of monetary control	50,114	(37,653)
Loans and advances to customers receivable / (granted)	(1,254,603)	(244,376)
Short term trading account securities	(93,688)	36,195
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	111,842	(51,702)
Deposits from credit institutions with agreed maturity date	175,304	(2,380,305)
Loans and advances to customers repayable on demand	5,144,519	3,430,158
Deposits from customers with agreed maturity date	(1,051,734)	(970,378)
	3,982,299	577,214
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in associated companies	98,000	-
Acquisition of investments in subsidiaries and associated companies	-	(787)
Dividends received	67,213	102,759
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	311,001	n.a.
Sale of financial assets at fair value through other comprehensive income and at amortised cost	5,725,095	n.a.
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(56,020,038)	n.a.
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	46,049,277	n.a.
Interest income from financial assets available for sale and financial assets held to maturity	n.a.	253,783
Sale of financial assets available for sale and financial assets held to maturity	n.a.	8,046,852
Acquisition of financial assets available for sale and financial assets held to maturity	n.a.	(42,160,122)
Maturity of financial assets available for sale and financial assets held to maturity	n.a.	33,937,652
Acquisition of tangible and intangible assets	(88,560)	(88,393)
Sale of tangible and intangible assets	39,507	8,014
Decrease / (increase) in other sundry assets	703,905	(304,789)
	(3,114,600)	(205,031)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Sale of shares in subsidiaries companies which does not results loss control	(1,400)	-
Issuance of subordinated debt	192	472,742
Reimbursement of subordinated debt	(96,181)	(852,386)
Issuance of debt securities	447,007	1,312,759
Reimbursement of debt securities	(640,376)	(1,994,444)
Issuance of commercial paper and other securities	23,204	188,076
Reimbursement of commercial paper and other securities	(108,930)	(9,674)
Share capital increase	-	1,295,148
Dividends paid to non-controlling interests	(9,088)	(7,787)
Increase / (decrease) in other sundry liabilities and non-controlling interests	266,298	(384,203)
	(119,274)	20,231
Exchange differences effect on cash and equivalents	(131,345)	48,915
Net changes in cash and equivalents	617,080	441,329
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 YEAR	2,463,466	2,022,137
Cash (note 18)	566,202	540,608
Deposits at Central Banks (note 18)	2,187,637	1,627,326
Loans and advances to credit institutions repayable on demand (note 19)	326,707	295,532
CASH AND EQUIVALENTS AT THE END OF THE YEAR	3,080,546	2,463,466

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 59).

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THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 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 year 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 year	-	-	-	-	-	-	-	186,391	186,391	103,166	289,557
Other comprehensive income	-	-	-	-	-	-	222,224	-	222,224	74,562	296,786
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	222,224	186,391	408,615	177,728	586,343
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	-	-	-	-	-	-	(36,772)	-	(36,772)	-	(36,772)
Tax related to costs arising from the share capital increase (a)	-	-	-	-	-	-	(8,264)	-	(8,264)	-	(8,264)
Dividends (b)	-	-	-	-	-	-	-	-	-	(7,787)	(7,787)
Treasury shares	-	-	-	-	-	2,587	1,083	-	3,670	-	3,670
Other reserves	-	-	-	-	-	-	(470)	-	(470)	45,915	45,445
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 59)											
Gross value	-	-	-	-	-	-	(218,184)	-	(218,184)	(36,999)	(255,183)
Taxes	-	-	-	-	-	-	(155,472)	-	(155,472)	6,888	(148,584)
	-	-	-	-	-	-	(373,656)	-	(373,656)	(30,111)	(403,767)
BALANCES AS AT 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(411,786)	186,391	5,707,159	1,068,810	6,775,969
Net income for the year	-	-	-	-	-	-	-	301,065	301,065	117,809	418,874
Other comprehensive income	-	-	-	-	-	-	(169,261)	-	(169,261)	(15,509)	(184,770)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(169,261)	301,065	131,804	102,300	234,104
Results application:											
Legal reserve (note 42)	-	-	-	-	11,802	-	-	(11,802)	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	174,589	(174,589)	-	-	-
Share capital decrease (note 41)	(875,738)	-	-	-	-	-	875,738	-	-	-	-
Reimbursement of preference shares (note 41)	-	-	(59,910)	-	-	-	373	-	(59,537)	-	(59,537)
Costs related to the share capital increase	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	21,359	21,359
Preferred shares dividends	-	-	-	-	-	-	(722)	-	(722)	-	(722)
Dividends from other equity instruments	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Dividends (a)	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares (note 43)	-	-	-	-	-	219	-	-	219	-	219
Gains arising on sale of 10% of Setelote	-	-	-	-	-	-	252	-	252	-	252
Other reserves (note 44)	-	-	-	-	-	-	1,488	-	1,488	52	1,540
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	-	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 59).

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

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

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 years ended 31 December 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. 5/2015 (which revoked Bank of Portugal Notice No. 1/2005), 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 23 April 2019 by the Bank's Board of Directors. 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.

The consolidated financial statements for the year ended 31 December 2018 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

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

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 1 January 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 59. No significant impacts on the 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 59. The balances included in the financial statements for 31 December 2017 are presented exclusively for comparative purposes.

The Group's financial statements are prepared under the going concern assumption and 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 55.

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 was 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 31 December 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 Group'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 amortised 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 occurs 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" (FVOCI). 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 an 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 Group 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 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 Group 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 Group 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 C1.5.3) but are not impaired (note C1.5.4). 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.

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

1. Clients who are in one of the following conditions are subject to 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 loan 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 12 months 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 D1.1).

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) on financial operations".

The interest from debt instruments were 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 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 “Net gains / (losses) on financial operations” (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 were managed, evaluated and reported internally at its fair value;
- the designation eliminated or significantly reduced the accounting mismatch of the transactions;
- the financial assets and liabilities included derivatives that significantly changed 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 financial instruments at fair value through profit or loss (assets and liabilities) 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 were recorded in "Net gains / (losses) on financial operations" (note 5). The accrual of interest and the premium / discount (when applicable) was 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 were 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 they were no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), if some requirements were met. 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 was 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 were 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 was a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that were not covered by collaterals were written-off from the Group's financial statements and were recognised only when received, in accordance with IAS 18, on the basis that its recoverability was 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 Group has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 and 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 and No.3, these Special Purpose Entities (SPE or SPV) are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1B.

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 a 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 Group 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 Group 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 Group, 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 accordance with IFRS 5. 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, 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 1H).

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 under the principle of accrual-based accounting.

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 theuseful 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 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 at fair value through other comprehensive income, 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, if certain conditions were verified in each year, of assigning complementary benefits 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 Projected Unit Credit 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 cannot, 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 Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”, the Portuguese Insurance and Pension Funds Supervision Authority), 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 Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the 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 descendants 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 31 December 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 31 December 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 income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code ("CIRC"), the Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014 of 26 August, to which it adhered, and individual legislation. 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 at fair value through other comprehensive income 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 by authorities 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 released 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, the Banco Comercial Português, S.A. adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2017 and 2018, the RETGS application was maintained.

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 not 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 No. 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 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

Significant interpretations and estimates are required in determining the total amount for income taxes in each of the jurisdictions where the Group operates. 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 Bank recorded provisions or deferred tax liabilities in the amount deemed adequate to face corrections to tax or to tax losses carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the Portuguese tax authorities.

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 2019 are not defined, since the reference to the Bank of Portugal Notice No. 3/95, provided for in Regulatory Decree No. 13/2018, of 28 December, is only applicable for the taxation period of 2018, and the regime applicable from 1 January 2019 has not yet been defined.

In the projections of future taxable income, namely for the purposes of the analysis of recoverability of deferred tax assets carried out with reference to 31 December 2018, the tax rules in force in 2018 were taken into consideration, identical to those in force in the periods of 2015, 2016 and 2017, and that by means of Decree-Laws published at the end of each of those years, established that the limits set forth in Bank of Portugal Notice No. 3/95 and other specific rules should be considered for the purposes of calculating the maximum amounts of losses for tax purposes.

In 2018, the Group 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.

Z4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

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 rates, mortality tables, 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 yields 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.

Z6. Financial instruments – IFRS 9

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)

	2018	2017
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	1,287	5,586
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	25,250	24,391
Loans and advances to customers	1,385,313	1,464,716
Debt securities	169,463	48,478
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	5,822	4,915
Derivatives associated to financial instruments at fair value through profit or loss	14,149	15,865
Financial assets not held for trading mandatorily at fair value through profit or loss	23,191	n.a.
Financial assets designated at fair value through profit or loss	2,191	3,422
Interest on financial assets at fair value through other comprehensive income	158,376	n.a.
Interest on financial assets available for sale	n.a.	230,045
Interest on financial assets held to maturity	n.a.	19,231
Interest on hedging derivatives	97,032	92,488
Interest on other assets	7,665	5,073
	1,889,739	1,914,210
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(12,234)	(8,138)
Resources from customers	(313,529)	(330,369)
Non subordinated debt securities issued	(27,689)	(67,493)
Subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	-	(6,343)
Others	(62,682)	(58,373)
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	(3,242)	(5,223)
Financial liabilities at fair value through profit or loss		
Resources from customers	(13,175)	(13,113)
Non subordinated debt securities issued	(5,963)	(11,354)
Interest on hedging derivatives	(25,964)	(21,150)
Interest on other liabilities	(1,630)	(1,379)
	(466,108)	(522,935)
	1,423,631	1,391,275

In 2018, the balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 51,040,000 (2017: Euros 45,514,000) 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).

In 2018, the balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 37,281,000 and Euros 211,000, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

In 2018, the balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 13,176,000 e Euros 11,563,000, respectively (2017: Euros 33,048,000 and 9,202,000 respectively) 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 balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 92,026,000 (2017: Euros 116,339,000) related to interest income arising from customers with signs of impairment.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Dividends from financial assets held for trading	4	4
Dividends from financial assets through other comprehensive income	632	n.a.
Dividends from financial assets available for sale	n.a.	1,750
	636	1,754

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 year.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Fees and commissions received		
From banking services	527,024	480,000
From management and maintenance of accounts	105,852	103,839
From securities operations	87,862	87,577
From guarantees provided	58,110	61,699
From commitments	4,353	4,465
From fiduciary and trust activities	711	656
From insurance activity commissions	921	1,054
Other commissions	43,657	41,924
	828,490	781,214
Fees and commissions paid		
From banking services	(111,546)	(83,889)
From guarantees received	(5,845)	(5,885)
From securities operations	(10,971)	(10,098)
From insurance activity commissions	(1,044)	(1,543)
Other commissions	(15,065)	(13,102)
	(144,471)	(114,517)
	684,019	666,697

In 2018, the balance Fees and commissions received - From banking services includes the amount of Euros 105,223,000 (2017: Euros 94,726,000) related to insurance mediation commissions.

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	(95,407)	97,402
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(12,626)	n.a.
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	108,671	(83,438)
	638	13,964
Net gains / (losses) from foreign exchange	75,355	72,460
Net gains / (losses) from hedge accounting	2,552	(32,753)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(49,432)	(8,325)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	49,435	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	103,030
	78,548	148,376

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

(Thousands of euros)

	2018	2017
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	15,604	8,625
Equity instruments	1,068	982
Derivative financial instruments	222,165	408,284
Other operations	1,522	4,183
	240,359	422,074
Losses		
Debt securities portfolio	(8,963)	(4,541)
Equity instruments	(3,428)	(881)
Derivative financial instruments	(321,453)	(317,544)
Other operations	(1,922)	(1,706)
	(335,766)	(324,672)
	(95,407)	97,402
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	28,096	n.a.
Debt securities portfolio	78,185	n.a.
	106,281	n.a.
Losses		
Loans and advances to customers	(32,771)	n.a.
Debt securities portfolio	(86,136)	n.a.
	(118,907)	n.a.
	(12,626)	n.a.

(continuation)

(continues)

(Thousands of euros)

	2018	2017
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	5,324	61
Debt securities issued		
Certificates and structured securities issued	127,029	51,114
Other debt securities issued	23,725	3,989
	156,078	55,164
Losses		
Debt securities portfolio	(6,404)	(4,329)
Resources from customers	-	(7,758)
Debt securities issued		
Certificates and structured securities issued	(40,265)	(124,426)
Other debt securities issued	(738)	(2,089)
	(47,407)	(138,602)
	108,671	(83,438)

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)

	2018	2017
Net gains / (losses) from foreign exchange		
Gains	1,181,449	1,627,679
Losses	(1,106,094)	(1,555,219)
	75,355	72,460
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	83,612	113,120
Hedged items	41,454	8,168
	125,066	121,288
Losses		
Hedging derivatives	(117,208)	(118,042)
Hedged items	(5,306)	(35,999)
	(122,514)	(154,041)
	2,552	(32,753)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,544	14,167
Debt securities issued	1,991	1,252
	8,535	15,419
Losses		
Credit sales	(55,955)	(23,396)
Debt securities issued	(2,012)	(348)
	(57,967)	(23,744)
	(49,432)	(8,325)

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)

	2018	2017
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	59,818	n.a.
Losses		
Debt securities portfolio	(10,383)	n.a.
	49,435	n.a.
Net gains / (losses) from financial assets available for sale		
Gains		
Debt securities portfolio	n.a.	86,701
Equity instruments	n.a.	18,624
	n.a.	105,325
Losses		
Debt securities portfolio	n.a.	(2,179)
Equity instruments	n.a.	(118)
	n.a.	(2,297)
	n.a.	103,028

In 2018, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 17,905,000 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 57,268,000.

In 2018, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 8,212,000 as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income (2017: Euros 868,000 registered in Net gains / (losses) from financial assets available for sale).

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Operating income		
Gains on leasing operations	3,488	6,379
Income from services	24,486	25,614
Rents	5,031	2,363
Sales of cheques and others	11,840	12,497
Other operating income	11,351	19,164
	56,196	66,017
Operating costs		
Donations and contributions	(3,604)	(3,633)
Contribution over the banking sector	(33,066)	(31,037)
Resolution Funds Contributions	(20,271)	(19,413)
Contribution for the Single Resolution Fund	(21,185)	(18,246)
Contributions to Deposit Guarantee Fund	(16,855)	(12,628)
Tax for the Polish banking sector	(46,553)	(44,297)
Taxes	(22,822)	(26,735)
Losses on financial leasing operations	-	(994)
Other operating costs	(27,718)	(19,640)
	(192,074)	(176,623)
	(135,878)	(110,606)

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 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 (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 (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 (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)

	2018	2017
Remunerations	457,617	428,122
Mandatory social security charges		
Post-employment benefits (note 51)		
Service cost	(15,800)	(16,391)
Net interest cost / (income) in the liability coverage balance	3,030	4,536
Cost with early retirement programs	19,303	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,452)
Changes in the Collective Labour Agreement	-	(39,997)
	6,153	(39,347)
Other mandatory social security charges	105,024	109,089
	111,177	69,742
Voluntary social security charges	10,370	8,225
Other staff costs	13,628	20,488
	592,792	526,577

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2018	2017
Portugal		
Top Management	992	995
Intermediary Management	1,653	1,679
Specific/Technical functions	2,940	2,963
Other functions	1,556	1,655
	7,141	7,292
Abroad	8,630	8,502
	15,771	15,794

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Water, electricity and fuel	15,442	15,416
Credit cards and mortgage	7,732	6,360
Communications	23,114	21,167
Maintenance and related services	16,042	17,130
Legal expenses	6,379	6,462
Travel, hotel and representation costs	9,424	8,070
Advisory services	21,051	18,119
Training costs	2,590	2,019
Information technology services	36,996	18,432
Consumables	4,759	4,429
Outsourcing and independent labour	77,070	77,022
Advertising	27,565	26,707
Rents and leases	73,446	96,276
Insurance	3,766	4,324
Transportation	10,157	7,850
Other specialised services	21,491	19,198
Other supplies and services	19,652	25,041
	376,676	374,022

The balance Rents and lease includes the amount of Euros 70,705,000 (2017: Euros 78,956,000) related to rents paid regarding buildings used by the Group as lessee.

In accordance with accounting policy 1I, under IAS 17, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2018			2017		
	Properties	Vehicles	Total	Properties	Vehicles	Total
Until 1 year	73,314	96	73,410	80,533	209	80,742
1 to 5 years	127,644	76	127,720	157,785	172	157,957
Over 5 years	39,408	-	39,408	44,126	-	44,126
	240,366	172	240,538	282,444	381	282,825

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Group, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, is analysed as follows:

(Thousands of euros)

	2018	2017
Auditing services		
Legal certification	2,246	1,934
Other assurance services	1,604	1,464
Other services	416	1,177
	4,266	4,575

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Intangible assets amortisations (note 30):		
Software	13,307	11,060
Other intangible assets	1,619	837
	14,926	11,897
Other tangible assets depreciations (note 29):		
Properties	18,321	19,417
Equipment		
Computers	11,149	9,572
Security equipment	1,453	1,609
Installations	2,394	2,050
Machinery	648	644
Furniture	2,235	1,964
Motor vehicles	4,649	4,233
Other equipment	1,970	2,196
	42,819	41,685
	57,745	53,582

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions (note 20)		
Charge for the year	1,387	-
Reversals for the year	(128)	-
	1,259	-
Loans and advances to customers (note 21)		
Charge for the year	926,054	929,403
Reversals for the year	(442,082)	(299,245)
Recoveries of loans and interest charged-off	(13,210)	(16,966)
	470,762	613,192
Debt securities (note 22)		
Associated to credit operations		
Charge for the year	-	10,516
Reversals for the year	(6,121)	-
	(6,121)	10,516
Not associated to credit operations		
Charge for the year	1,184	n.a.
Reversals for the year	(1,616)	n.a.
	(432)	n.a.
	(6,553)	10,516
	465,468	623,708

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)

	2018	2017
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	2,993	n.a.
Reversals for the year	(4,085)	n.a.
	(1,092)	n.a.
Impairment for financial assets available for sale (note 23)		
Charge for the year	n.a.	63,421
	n.a.	63,421

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Impairment for investments in associated companies		
Charge for the year	12,623	57,764
	12,623	57,764
Impairment for non-current assets held for sale (note 27)		
Charge for the year	78,612	155,882
Reversals for the year	(18,018)	(5,264)
	60,594	150,618
Impairment for goodwill of subsidiaries (note 30)		
Charge for the year	-	4
	-	4
Impairment for other assets (note 32)		
Charge for the year	7,234	13,616
Reversals for the year	(1,414)	(1,029)
	5,820	12,587
	79,037	220,973

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	2018	2017
Provision for guarantees and other commitments (note 39)		
Charge for the year	86,255	18,537
Reversals for the year	(41,802)	(15,953)
	44,453	2,584
Other provisions for liabilities and charges (note 39)		
Charge for the year	13,537	16,463
Reversals for the year	(301)	(2,337)
	13,236	14,126
	57,689	16,710

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)

	2018	2017
Banco Millennium Atlântico, S.A. (note 26)		
Appropriation relating to the current year	20,659	28,534
Appropriation relating to the previous year	19	(14)
Effect of the application of IAS 29:		
Revaluation of the net non-monetary assets of the BMA	759	(9,092)
Revaluation of the goodwill associated to the investment in BMA	12,623	20,417
	13,382	11,325
	34,060	39,845
Banque BCP, S.A.S.	3,653	3,515
Banque BCP (Luxembourg), S.A.	-	8
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (note 26)	35,361	35,413
SIBS, S.G.P.S, S.A.	8,343	3,268
Unicre - Instituição Financeira de Crédito, S.A.	7,244	6,860
Other companies	514	2,728
	89,175	91,637

15. Gains / (losses) arising from sales of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	2018	2017
Settlement of bcp holdings (usa), Inc regarding the investment of 100%	2,769	-
Settlement of S & P Reinsurance Limited regarding the investment of 100%	7	-
Sale of 41.1% of the investment held in Nanium	-	(3,821)
Settlement of Propaço regarding the investment of 52.7%	-	(2)
Other assets	35,140	7,962
	37,916	4,139

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), in the positive amount of Euros 31,348,000 (2017: positive amount of Euros 7,064,000) (note 27).

16. Income / (loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Discontinuing operations		
Appropriated net income of Planfipsa Group	(3,068)	-
Discontinued operations		
Gains arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1,750	1,225

Under the scope of the sale of Planfipsa Group, occurred in February 2019, and in accordance with IFRS 5, this operation was considered as a discontinuing operation, and the impact on results is shown in a separate line of the income statement called "Income / (loss) arising from discontinued or discontinuing operations".

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2018	2017
Continuing operations		
Net income	420,192	288,332
Non-controlling interests	(117,809)	(103,166)
Appropriated net income	302,383	185,166
Gains / (losses) in equity instruments	(871)	-
Adjusted net income	301,512	185,166
Discontinued or discontinuing operations		
Appropriated net income	(1,318)	1,225
Adjusted net income	300,194	186,391
Average number of shares	15,113,989,952	13,321,460,739
Basic earnings per share (Euros):		
from continuing operations	0.020	0.014
from discontinued or discontinuing operations	0.000	0.000
	0.020	0.014
Diluted earnings per share (Euros):		
from continuing operations	0.020	0.014
from discontinued or discontinuing operations	0.000	0.000
	0.020	0.014

The Bank's share capital, as at 31 December 2018, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 49, pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value.

There were not identified another dilution effects of the earnings per share as at 31 December 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)

	2018	2017
Cash	566,202	540,608
Central Banks		
Bank of Portugal	1,315,682	939,852
Central Banks abroad	871,955	687,474
	2,753,839	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)

	2018	2017
Credit institutions in Portugal	960	8,394
Credit institutions abroad	238,932	160,389
Amounts due for collection	86,815	126,749
	326,707	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)

	2018	2017
Loans and advances to Central Banks abroad	-	50,114
Loans and advances to credit institutions in Portugal		
Very short-term applications	-	39,742
Loans	47,911	39,220
Other applications	1,553	10,328
	49,464	89,290
Loans and advances to credit institutions abroad		
Very short-term applications	78,030	388,327
Short-term applications	550,904	262,339
Other applications	212,819	274,837
	841,753	925,503
	891,217	1,064,907
Overdue loans - Over 90 days	669	661
	891,886	1,065,568
Impairment for loans and advances to credit institutions	(1,853)	-
	890,033	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)

	2018	2017
Loans and advances to credit institutions in Portugal		
Other applications	430	1,010
Loans and advances to credit institutions abroad		
Short-term applications	62,077	27,639
Other applications	194,100	269,284
	256,607	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.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2018	2017
Up to 3 months	848,082	286,550
3 to 6 months	14,749	744,567
6 to 12 months	27,751	16,918
1 to 5 years	635	6,872
Over 5 years	-	10,000
Undetermined	669	661
	891,886	1,065,568

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

(Thousands of euros)

	2018	2017
Balance on 1 January	-	-
Adjustments due to the implementation of IFRS 9 (note 59)	703	-
Impairment charge for the year (note 10)	1,387	-
Reversals for the year (note 10)	(128)	-
Loans charged-off	(109)	-
Balance at the end of the year	1,853	-

21. Loans and advances to customers

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

(Thousands of euros)

	2018	2017
Mortgage loans	23,691,928	23,307,977
Loans	13,047,108	13,766,729
Finance leases	3,955,451	3,525,058
Factoring operations	2,463,503	2,106,173
Current account credits	1,731,445	1,556,279
Overdrafts	1,258,634	1,456,141
Discounted bills	249,710	232,169
	46,397,779	45,950,526
Overdue loans - less than 90 days	118,475	88,500
Overdue loans - Over 90 days	1,896,578	2,865,992
	48,412,832	48,905,018
Impairment for credit risk	(2,851,906)	(3,279,046)
	45,560,926	45,625,972

The balance Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	721,519	1,062	722,581	(3,981)	718,600
Asset-backed loans	28,000,766	1,164,703	29,165,469	(1,706,849)	27,458,620
Other guaranteed loans	3,526,035	170,305	3,696,340	(332,468)	3,363,872
Unsecured loans	5,658,748	455,439	6,114,187	(450,549)	5,663,638
Foreign loans	2,071,757	114,496	2,186,253	(178,146)	2,008,107
Factoring operations	2,463,503	15,205	2,478,708	(42,219)	2,436,489
Finance leases	3,955,451	93,843	4,049,294	(137,694)	3,911,600
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926

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

(Thousands of euros)

	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

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	94,491	66,961	560,067	721,519	1,062	722,581
Asset-backed loans	1,708,178	3,052,444	23,240,144	28,000,766	1,164,703	29,165,469
Other guaranteed loans	1,294,406	1,349,257	882,372	3,526,035	170,305	3,696,340
Unsecured loans	2,063,873	1,907,528	1,687,347	5,658,748	455,439	6,114,187
Foreign loans	491,746	429,514	1,150,497	2,071,757	114,496	2,186,253
Factoring operations	1,904,236	559,252	15	2,463,503	15,205	2,478,708
Finance leases	599,079	1,459,353	1,897,019	3,955,451	93,843	4,049,294
	8,156,009	8,824,309	29,417,461	46,397,779	2,015,053	48,412,832

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	41,491	79,849	732,053	853,393	265	853,658
Asset-backed loans	1,790,993	3,011,766	23,082,496	27,885,255	1,502,718	29,387,973
Other guaranteed loans	1,571,652	1,371,367	989,197	3,932,216	335,606	4,267,822
Unsecured loans	2,626,721	1,852,701	1,376,785	5,856,207	820,704	6,676,911
Foreign loans	399,701	533,617	858,906	1,792,224	149,805	1,942,029
Factoring operations	1,548,343	512,249	45,581	2,106,173	23,892	2,130,065
Finance leases	515,852	1,278,734	1,730,472	3,525,058	121,502	3,646,560
	8,494,753	8,640,283	28,815,490	45,950,526	2,954,492	48,905,018

As at 31 December 2018, the balance Loans and advances to customers includes the amount of Euros 12,315,731,000 (31 December 2017: Euros 12,146,649,000) regarding credits related to mortgage loans issued by the Group.

As part of the liquidity risk management, the Group 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 52, 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 31 December 2018, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 101,350,000 (31 December 2017: Euros 62,822,000), as referred in note 52 a). The amount of impairment recognised for these contracts amounts to Euros 744,000 (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 analysis of loans and advances to customers, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	294,808	10,093	304,901	(9,704)	295,197	0.63%
Fisheries	31,515	43	31,558	(883)	30,675	0.07%
Mining	59,058	2,877	61,935	(9,744)	52,191	0.13%
Food, beverage and tobacco	683,830	15,670	699,500	(17,615)	681,885	1.45%
Textiles	363,277	14,540	377,817	(22,566)	355,251	0.78%
Wood and cork	237,191	6,312	243,503	(8,564)	234,939	0.50%
Paper, printing and publishing	193,611	4,985	198,596	(18,134)	180,462	0.41%
Chemicals	664,652	40,598	705,250	(50,057)	655,193	1.46%
Machinery, equipment and basic metallurgical	1,171,768	46,249	1,218,017	(50,160)	1,167,857	2.52%
Electricity and gas	371,518	611	372,129	(2,027)	370,102	0.77%
Water	188,221	1,132	189,353	(11,461)	177,892	0.39%
Construction	1,595,783	358,006	1,953,789	(433,006)	1,520,783	4.04%
Retail business	1,089,590	80,331	1,169,921	(89,031)	1,080,890	2.42%
Wholesale business	2,093,318	79,300	2,172,618	(103,523)	2,069,095	4.49%
Restaurants and hotels	1,150,604	55,508	1,206,112	(91,657)	1,114,455	2.49%
Transports	1,293,631	18,180	1,311,811	(31,328)	1,280,483	2.71%
Post offices	10,631	351	10,982	(644)	10,338	0.02%
Telecommunications	306,844	6,333	313,177	(15,882)	297,295	0.65%
Services						
Financial intermediation	1,476,828	116,446	1,593,274	(380,196)	1,213,078	3.29%
Real estate activities	1,336,226	218,978	1,555,204	(158,998)	1,396,206	3.21%
Consulting, scientific and technical activities	1,339,659	30,038	1,369,697	(371,352)	998,345	2.83%
Administrative and support services activities	553,539	31,448	584,987	(79,567)	505,420	1.21%
Public sector	1,128,520	1,247	1,129,767	(7,743)	1,122,024	2.33%
Education	131,840	1,719	133,559	(7,713)	125,846	0.28%
Health and collective service activities	282,231	2,012	284,243	(4,286)	279,957	0.59%
Artistic, sports and recreational activities	287,865	6,161	294,026	(76,296)	217,730	0.61%
Other services	209,752	264,796	474,548	(194,401)	280,147	0.98%
Consumer loans	3,432,425	281,567	3,713,992	(302,840)	3,411,152	7.67%
Mortgage credit	23,555,628	225,084	23,780,712	(212,505)	23,568,207	49.12%
Other domestic activities	1,124	499	1,623	(302)	1,321	0.00%
Other international activities	862,292	93,939	956,231	(89,721)	866,510	1.98%
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926	100%

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

(Thousands of euros)

	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 analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	104,408	90,843	99,557	294,808	10,093	304,901
Fisheries	7,651	15,273	8,591	31,515	43	31,558
Mining	37,281	15,400	6,377	59,058	2,877	61,935
Food, beverage and tobacco	433,901	177,057	72,872	683,830	15,670	699,500
Textiles	176,911	98,472	87,894	363,277	14,540	377,817
Wood and cork	110,304	88,857	38,030	237,191	6,312	243,503
Paper, printing and publishing	106,952	37,301	49,358	193,611	4,985	198,596
Chemicals	311,924	226,324	126,404	664,652	40,598	705,250
Machinery, equipment and basic metallurgical	597,052	384,518	190,198	1,171,768	46,249	1,218,017
Electricity and gas	50,564	131,375	189,579	371,518	611	372,129
Water	28,589	38,542	121,090	188,221	1,132	189,353
Construction	508,815	474,681	612,287	1,595,783	358,006	1,953,789
Retail business	537,728	318,170	233,692	1,089,590	80,331	1,169,921
Wholesale business	1,114,076	721,614	257,628	2,093,318	79,300	2,172,618
Restaurants and hotels	80,578	300,890	769,136	1,150,604	55,508	1,206,112
Transports	448,160	468,137	377,334	1,293,631	18,180	1,311,811
Post offices	4,419	6,099	113	10,631	351	10,982
Telecommunications	103,547	136,765	66,532	306,844	6,333	313,177
Services						
Financial intermediation	206,384	336,801	933,643	1,476,828	116,446	1,593,274
Real estate activities	301,503	356,177	678,546	1,336,226	218,978	1,555,204
Consulting, scientific and technical activities	317,270	443,740	578,649	1,339,659	30,038	1,369,697
Administrative and support services activities	234,653	192,796	126,090	553,539	31,448	584,987
Public sector	134,771	437,637	556,112	1,128,520	1,247	1,129,767
Education	37,872	31,468	62,500	131,840	1,719	133,559
Health and collective service activities	111,315	84,740	86,176	282,231	2,012	284,243
Artistic, sports and recreational activities	43,518	31,234	213,113	287,865	6,161	294,026
Other services	78,909	91,140	39,703	209,752	264,796	474,548
Consumer loans	989,303	1,536,802	906,320	3,432,425	281,567	3,713,992
Mortgage credit	380,051	1,424,987	21,750,590	23,555,628	225,084	23,780,712
Other domestic activities	173	482	469	1,124	499	1,623
Other international activities	557,427	125,987	178,878	862,292	93,939	956,231
	8,156,009	8,824,309	29,417,461	46,397,779	2,015,053	48,412,832

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

(Thousands of euros)

	2017					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	83,769	85,208	121,933	290,910	16,167	307,077
Fisheries	7,647	14,990	7,707	30,344	237	30,581
Mining	28,446	22,963	5,645	57,054	8,059	65,113
Food, beverage and tobacco	363,601	217,506	78,238	659,345	17,287	676,632
Textiles	183,593	97,526	85,797	366,916	24,668	391,584
Wood and cork	100,532	83,890	41,619	226,041	11,704	237,745
Paper, printing and publishing	75,514	42,439	46,919	164,872	5,915	170,787
Chemicals	245,578	206,012	143,183	594,773	45,707	640,480
Machinery, equipment and basic metallurgical	526,924	402,079	190,651	1,119,654	62,540	1,182,194
Electricity and gas	38,774	51,571	222,039	312,384	150	312,534
Water	43,071	107,570	114,534	265,175	4,410	269,585
Construction	717,703	278,120	707,968	1,703,791	604,806	2,308,597
Retail business	567,330	319,037	294,333	1,180,700	84,765	1,265,465
Wholesale business	1,176,376	575,687	186,806	1,938,869	128,818	2,067,687
Restaurants and hotels	81,767	173,810	738,235	993,812	75,955	1,069,767
Transports	425,710	473,383	383,534	1,282,627	31,780	1,314,407
Post offices	2,652	1,896	81	4,629	381	5,010
Telecommunications	88,358	151,880	68,418	308,656	6,490	315,146
Services						
Financial intermediation	219,269	423,951	1,048,732	1,691,952	243,631	1,935,583
Real estate activities	287,100	334,323	645,482	1,266,905	357,905	1,624,810
Consulting, scientific and technical activities	633,315	570,563	379,585	1,583,463	217,534	1,800,997
Administrative and support services activities	227,644	201,178	85,256	514,078	29,603	543,681
Public sector	95,623	447,957	447,731	991,311	312	991,623
Education	38,157	25,431	69,813	133,401	2,642	136,043
Health and collective service activities	108,555	88,342	103,455	300,352	2,532	302,884
Artistic, sports and recreational activities	41,022	38,808	238,173	318,003	6,030	324,033
Other services	166,653	104,858	50,183	321,694	261,021	582,715
Consumer loans	1,111,152	1,508,862	793,285	3,413,299	381,412	3,794,711
Mortgage credit	369,380	1,352,665	21,432,674	23,154,719	253,257	23,407,976
Other domestic activities	2	13	-	15	5,096	5,111
Other international activities	439,536	237,765	83,481	760,782	63,678	824,460
	8,494,753	8,640,283	28,815,490	45,950,526	2,954,492	48,905,018

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

(Thousands of euros)

	2018	2017
Amount of future minimum payments	4,424,029	3,956,596
Interest not yet due	(468,578)	(431,538)
Present value	3,955,451	3,525,058

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of euros)

	2018	2017
Up to 1 year	931,836	846,943
1 to 5 years	1,951,933	1,831,777
Over 5 years	1,540,260	1,277,876
	4,424,029	3,956,596

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2018	2017
Individuals		
Home	64,150	71,331
Consumer	33,020	31,269
Others	108,043	114,892
	205,213	217,492
Companies		
Equipment	1,804,542	1,673,106
Real estate	1,945,696	1,634,460
	3,750,238	3,307,566
	3,955,451	3,525,058

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

The balance 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)

	31 December 2018	1 January 2018
Total credit	53,239,630	53,191,852
Stage 1		
Gross amount	38,353,853	37,748,689
Impairment	(105,175)	(122,158)
	38,248,678	37,626,531
Stage 2		
Gross amount	8,726,840	7,930,520
Impairment	(190,547)	(255,083)
	8,536,293	7,675,437
Stage 3		
Gross amount	6,158,937	7,512,642
Impairment	(2,743,894)	(3,291,013)
	3,415,043	4,221,629
	50,200,014	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)

	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 includes, as at 31 December 2018, loans and advances to customers in the amount of Euros 48,412,832,000 (31 December 2017: Euros: 48,905,018,000) and guarantees granted and commitments to third parties balance (note 46), in the amount of Euros 4,826,798,000 (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 187,710,000 (31 December 2017: Euros 130,875,000).

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)

	31 December 2018	1 January 2018
Stage 1		
Securities and other financial assets	1,879,568	1,716,294
Residential real estate	18,656,116	18,135,303
Other real estate	3,032,719	2,638,248
Other guarantees	3,512,140	3,290,036
	27,080,543	25,779,881
Stage 2		
Securities and other financial assets	286,629	300,757
Residential real estate	2,894,058	2,878,869
Other real estate	1,083,323	1,147,361
Other guarantees	659,328	541,780
	4,923,338	4,868,767
Stage 3		
Securities and other financial assets	380,083	524,419
Residential real estate	1,121,101	1,555,504
Other real estate	1,024,062	1,419,984
Other guarantees	459,632	719,007
	2,984,878	4,218,914
	34,988,759	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)

	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 55), 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)

	2018	2017
Agriculture and forestry	4,782	8,464
Fisheries	18	2,019
Mining	5,112	13,338
Food, beverage and tobacco	3,501	1,020
Textiles	1,277	554
Wood and cork	3,027	2,977
Paper, printing and publishing	371	450
Chemicals	2,208	2,108
Machinery, equipment and basic metallurgical	30,006	17,755
Electricity and gas	450	431
Water	117	250
Construction	37,171	32,135
Retail business	17,222	95,818
Wholesale business	88,365	16,888
Restaurants and hotels	13,302	10,252
Transports	4,519	13,372
Post offices	29	30
Telecommunications	20,145	80,701
Services		
Financial intermediation	350	495
Real estate activities	5,116	5,969
Consulting, scientific and technical activities	15,518	8,110
Administrative and support services activities	7,233	7,436
Public sector	65,360	41,070
Education	217	390
Health and collective service activities	862	89
Artistic, sports and recreational activities	317	381
Other services	647	1,546
Consumer loans	136,811	125,646
Mortgage credit	95,260	107,182
Other international activities	12,263	10,434
	571,576	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 177,226,000 (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 31 December 2018, the amount calculated is Euros 3,049,747,000 (31 December 2017: Euros 4,459,412,000).

Every client or operation that meet the following conditions is marked and identified as Non Performing Exposures (NPE):

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 31 December 2018, the NPE amounts to Euros 5,548,123,000 (31 December 2017: Euros 7,658,392,000).

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

(Thousands of euros)

	2018	2017
Balance on 1 January	3,279,046	3,706,346
Adjustments due to the implementation of IFRS 9 (note 59)		
Remeasurement under IFRS 9	235,548	n.a.
Reclassification under IFRS 9	8,508	n.a.
Charge for the year in net income interest (note 2)	37,281	n.a.
Transfers resulting from changes in the Group's structure	754	-
Other transfers (a)	(56,345)	(32,606)
Impairment charge for the year (note 10)	926,054	929,403
Reversals for the year (note 10)	(442,082)	(299,245)
Loans charged-off	(1,129,834)	(1,039,290)
Exchange rate differences	(7,024)	14,438
Balance at the end of the year	2,851,906	3,279,046

(a) In 2018, the balance Other 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 occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind and the related impairment of these assets.

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

(Thousands of euros)

	2018	2017
Agriculture and forestry	4,964	1,843
Fisheries	152	22,020
Mining	3,403	773
Food, beverage and tobacco	2,138	4,107
Textiles	15,631	8,200
Wood and cork	16,981	3,213
Paper, printing and publishing	1,976	4,563
Chemicals	5,389	9,099
Machinery, equipment and basic metallurgical	29,123	13,492
Electricity and gas	5	103
Water	4,949	397
Construction	257,356	100,260
Retail business	29,939	38,479
Wholesale business	67,318	41,691
Restaurants and hotels	27,817	14,239
Transports	17,243	94,008
Post offices	70	181
Telecommunications	1,822	3,967
Services		
Financial intermediation	244,728	282,630
Real estate activities	80,496	54,842
Consulting, scientific and technical activities	89,357	18,541
Administrative and support services activities	11,185	9,442
Public sector	3	-
Education	807	825
Health and collective service activities	603	830
Artistic, sports and recreational activities	919	5,867
Other services	10,668	4,037
Consumer loans	185,758	264,426
Mortgage credit	13,979	18,725
Other domestic activities	1,132	14,740
Other international activities	3,923	3,750
	1,129,834	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)

	2018	2017
Public sector	3	-
Asset-backed loans	15,786	7,076
Other guaranteed loans	43,181	13,845
Unsecured loans	1,040,765	984,157
Factoring operations	7,058	1,841
Finance leases	23,041	32,371
	1,129,834	1,039,290

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

(Thousands of euros)

	2018	2017
Agriculture and forestry	47	65
Fisheries	24	42
Mining	1	125
Food, beverage and tobacco	140	203
Textiles	121	305
Wood and cork	115	247
Paper, printing and publishing	171	569
Chemicals	206	448
Machinery, equipment and basic metallurgical	223	263
Electricity and gas	1	-
Water	1	1
Construction	1,761	4,155
Retail business	468	1,108
Wholesale business	786	2,206
Restaurants and hotels	29	144
Transports	235	1,004
Post offices	16	-
Telecommunications	28	1
Services		
Financial intermediation	2,239	165
Real estate activities	182	1,106
Consulting, scientific and technical activities	65	82
Administrative and support services activities	440	295
Health and collective service activities	15	10
Artistic, sports and recreational activities	6	8
Other services	109	8
Consumer loans	4,049	3,515
Mortgage credit	68	30
Other domestic activities	55	285
Other international activities	1,609	576
	13,210	16,966

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

(Thousands of euros)

	2018	2017
Asset-backed loans	68	16
Other guaranteed loans	2,431	2,040
Unsecured loans	9,446	14,221
Foreign loans	691	120
Factoring operations	-	74
Finance leases	574	495
	13,210	16,966

The caption Loans and advances to customers includes the effect of traditional securitization transactions made through 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 and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As at 31 December 2018, the loans and advances referred to these operations amounts to Euros 405,439,000 (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 31 December 2018, the SPE's credit portfolio associated with this operation amounts to Euros 102,344,000, and the bonds issued with different subordination levels amount to Euros 92,113,000 (this amount excludes bonds hold by the Group in the amount of Euros 11,626,000 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 31 December 2018, the SPE's credit portfolio associated with this operation amounts to Euros 303,095,000, and bonds issued with different subordination levels amount to Euros 222,426,000 (this amount excludes bonds hold by the Group in the amount of Euros 100,106,000) 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, supports an 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 of the operation is 25 March of 2036 and the operation amounts to Euros 1,993,999,000 as at 31 December 2018. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 202,017,000 and the registered cost in 2018 amounts to Euros 9,159,000.

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 31 December 2018, the operation amounts to Euros 1,179,301,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,729,000 and their registered cost in 2018 amounts to Euros 1,217,000.

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 to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, 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.

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	176,751	241,381
Commercial paper	2,024,762	1,681,476
Foreign issuers		
Bonds	34,671	38,731
Commercial paper	19,704	21,465
	2,255,888	1,983,053
Overdue securities - over 90 days	55,353	67,353
	2,311,241	2,050,406
Impairment	(39,921)	(42,886)
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Public entities		
Portuguese issuers	47,377	n.a.
Foreign issuers	740,118	n.a.
Other entities		
Portuguese issuers	254,662	n.a.
Foreign issuers	63,325	n.a.
	1,105,482	n.a.
Impairment	(1,788)	n.a.
	1,103,694	n.a.
	3,375,014	2,007,520

As at 31 December 2018, the balance Debt securities held not associated with credit operations - Public entities - Foreign issuers includes the amount of Euros 698,781,000 referring to Mozambican sovereign, according to note 56.

The analysis of the balance Debt securities, by maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	-	-	-	176,751	-	176,751
Commercial paper	1,430,666	594,096	-	-	55,353	2,080,115
Foreign issuers						
Bonds	-	-	11,659	23,012	-	34,671
Commercial paper	19,704	-	-	-	-	19,704
	1,450,370	594,096	11,659	199,763	55,353	2,311,241
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	47,377	-	47,377
Foreign issuers	112,965	394,174	122,846	110,133	-	740,118
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
	112,965	484,789	247,655	260,073	-	1,105,482
	1,563,335	1,078,885	259,314	459,836	55,353	3,416,723

The analysis of the balance Debt securities, by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	35,101	-	-	206,280	-	241,381
Commercial paper	1,678,280	3,196	-	-	67,353	1,748,829
Foreign issuers						
Bonds	-	-	13,027	25,704	-	38,731
Commercial paper	21,465	-	-	-	-	21,465
	1,734,846	3,196	13,027	231,984	67,353	2,050,406

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

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Mining	24,996	18,353
Food, beverage and tobacco	80,074	42,566
Textiles	69,346	79,794
Wood and cork	10,820	6,001
Paper, printing and publishing	17,163	62,038
Chemicals	222,101	223,932
Machinery, equipment and basic metallurgical	56,775	50,887
Electricity and gas	190,338	219,537
Water	9,957	-
Construction	6,937	86,678
Retail business	86,042	73,560
Wholesale business	73,388	64,559
Restaurants and hotels	8,518	12,794
Transports	49,144	23,627
Telecommunications	8,932	12,571
Services		
Financial intermediation	249,231	269,246
Real estate activities	39,115	35,091
Consulting, scientific and technical activities	991,948	643,484
Administrative and support services activities	13,653	16,004
Health and collective service activities	4,999	2,496
Other services	3,596	4,106
Other international activities	54,247	60,196
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Chemicals	25,562	n.a.
Construction	39,229	n.a.
Transports and communications	174,480	n.a.
Services		
Financial intermediation	63,325	n.a.
Consulting, scientific and technical activities	15,149	n.a.
	317,745	n.a.
Government and Public securities	785,949	n.a.
	1,103,694	n.a.
	3,375,014	2,007,520

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

(Thousands of euros)

	2018	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 59)	2,946	-
Charge for the year in net income interest (note 2)	211	-
Other transfers	-	(581)
Charge for the year (note 10)	-	10,516
Reversals for the year (note 10)	(6,121)	-
Loans charged-off	-	(1,554)
Exchange rate differences	(1)	-
Balance at the end of the year	39,921	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 59)	2,217	n.a.
Charge for the year (note 10)	1,184	n.a.
Reversals for the year (note 10)	(1,616)	n.a.
Exchange rate differences	3	n.a.
Balance at the end of the year	1,788	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)

	2018	2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	220,047	152,711
Equity instruments	5,410	3,739
Trading derivatives	644,997	741,284
	870,454	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	291,050	n.a.
Debt instruments	1,108,605	n.a.
Equity instruments	5,029	n.a.
	1,404,684	n.a.
Financial assets designated at fair value through profit or loss		
Debt instruments	33,034	142,336
	33,034	142,336
Financial assets at fair value through other comprehensive income		
Debt instruments	13,797,971	n.a.
Equity instruments	47,654	n.a.
	13,845,625	n.a.
Financial assets available for sale		
Debt instruments	n.a.	10,338,522
Equity instruments	n.a.	1,133,325
	n.a.	11,471,847
	16,153,797	12,511,917

As at 31 December 2018, 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 920,000 (31 December 2017: Euros 2,000).

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

(Thousands of euros)

	2018	2017
Public sector	20	n.a.
Asset-backed loans	5	n.a.
Unsecured loans	287,028	n.a.
	287,053	n.a.
Overdue loans - less than 90 days	1,023	n.a.
Overdue loans - Over 90 days	2,974	n.a.
	291,050	n.a.

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

(Thousands of euros)

	2018			2017
	Gross value	Fair value adjustments	Net value	Net value
Agriculture and forestry	19	(8)	11	n.a.
Food, beverage and tobacco	92	(5)	87	n.a.
Textiles	44	(8)	36	n.a.
Wood and cork	59	(5)	54	n.a.
Paper, printing and publishing	46	(2)	44	n.a.
Chemicals	108	(3)	105	n.a.
Machinery, equipment and basic metallurgical	301	(15)	286	n.a.
Electricity and gas	7	(4)	3	n.a.
Water	28	(1)	27	n.a.
Construction	317	(27)	290	n.a.
Retail business	750	(89)	661	n.a.
Wholesale business	565	(66)	499	n.a.
Restaurants and hotels	146	(20)	126	n.a.
Transports	552	(65)	487	n.a.
Post offices	16	(4)	12	n.a.
Telecommunications	8	(2)	6	n.a.
Services				
Financial intermediation	95	(4)	91	n.a.
Real estate activities	37	(1)	36	n.a.
Consulting, scientific and technical activities	406	(34)	372	n.a.
Administrative and support services activities	531	(20)	511	n.a.
Public sector	1	-	1	n.a.
Education	104	(4)	100	n.a.
Health and collective service activities	45	(2)	43	n.a.
Artistic, sports and recreational activities	41	(1)	40	n.a.
Other services	277	(26)	251	n.a.
Consumer loans	303,432	(16,561)	286,871	n.a.
	308,027	(16,977)	291,050	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 31 December 2018, is analysed as follows:

(Thousands of euros)

	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 instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	5,671,092	5,707,792
Foreign issuers	161,347	-	-	4,904,357	5,065,704
Bonds issued by other entities					
Portuguese issuers	9,852	16,778	-	1,217,482	1,244,112
Foreign issuers	45,182	-	-	479,347	524,529
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Investment fund units	-	1,072,742	-	-	1,072,742
Shares of foreign companies	-	19,085	-	-	19,085
	220,047	1,108,605	33,034	13,801,693	15,163,379
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	220,047	1,108,605	33,034	13,797,971	15,159,657
Equity instruments					
Shares					
Portuguese companies	4,939	-	-	23,270	28,209
Foreign companies	24	5,029	-	24,382	29,435
Investment fund units	12	-	-	2	14
Other securities	435	-	-	-	435
	5,410	5,029	-	47,654	58,093
Trading derivatives	644,997	-	-	-	644,997
	870,454	1,113,634	33,034	13,845,625	15,862,747
Level 1	214,531	-	33,034	12,986,573	13,234,138
Level 2	347,770	-	-	831,266	1,179,036
Level 3	308,153	1,113,634	-	27,786	1,449,573

As at 31 December 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 50.

As at 31 December 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 526,000 and Euros 115,000, respectively.

The Group, as part of the management process of the liquidity risk (note 55), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes debt instruments. As at 31 December 2018, this caption included Euros 39,612,000 (31 December 2017: Euros 40,821,000) of securities included in the ECB's monetary policy pool.

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

(Thousands of euros)

	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 instruments				
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 operations 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 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			
	Amortised cost (a)	Fair value hedge adjustments (note 44)	Fair value adjustments (note 44)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,547,657	165,986	(42,551)	5,671,092
Foreign issuers	4,889,654	981	13,722	4,904,357
Bonds issued by other entities				
Portuguese issuers (*)	1,188,586	6,750	18,424	1,213,760
Foreign issuers	479,719	(1)	(371)	479,347
Treasury bills and other Government bonds				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	13,634,598	173,716	(10,343)	13,797,971
Equity instruments				
Shares				
Portuguese companies	57,033	-	(33,763)	23,270
Foreign companies	20,816	-	3,566	24,382
Other securities	2	-	-	2
	77,851	-	(30,197)	47,654
	13,712,449	173,716	(40,540)	13,845,625

(*) Includes impairment for overdue securities

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9.

The portfolio of financial assets available for sale, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017					
	Amortised cost (a)	Impairment	Amortised cost net of impairment	Fair value hedge adjustments (note 44)	Fair value adjustments (note 44)	Total
Debt instruments						
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
Equity instruments						
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

(*) Includes impairment for overdue securities

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9.

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, net of impairment, as at 31 December 2018, by valuation levels, is analysed as follows:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,526,914	180,878	-	5,707,792
Foreign issuers	5,065,704	-	-	5,065,704
Bonds issued by other entities				
Portuguese issuers (*)	941,606	275,894	22,890	1,240,390
Foreign issuers	152,188	372,340	1	524,529
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	-	-	675,923
Investment fund units	-	-	1,072,742	1,072,742
Shares of foreign companies	-	-	19,085	19,085
	13,215,827	829,112	1,114,718	15,159,657
Equity instruments				
Shares				
Portuguese companies	4,727	-	23,482	28,209
Foreign companies	24	15,564	13,847	29,435
Investment fund units	-	-	14	14
Other securities	-	-	435	435
	4,751	15,564	37,778	58,093
Trading derivatives	880	347,040	297,077	644,997
	13,221,458	1,191,716	1,449,573	15,862,747

(*) Includes impairment for overdue securities

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

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,917,764	132,900	-	3,050,664
Foreign issuers	3,153,423	13	147,252	3,300,688
Bonds issued by other entities				
Portuguese issuers (*)	1,201,439	75,782	21,206	1,298,427
Foreign issuers	159,694	1,455,428	1	1,615,123
Treasury bills and other Government bonds				
Portuguese issuers	584,908	-	-	584,908
Foreign issuers	497,264	275,005	11,490	783,759
	8,514,492	1,939,128	179,949	10,633,569
Equity instruments				
Shares				
Portuguese companies	1,541	7,101	22,187	30,829
Foreign companies	24	-	18,132	18,156
Investment fund units	143	-	1,087,085	1,087,228
Other securities	-	-	851	851
	1,708	7,101	1,128,255	1,137,064
Trading derivatives	1,038	442,373	297,873	741,284
	8,517,238	2,388,602	1,606,077	12,511,917

(*) Includes impairment for overdue securities

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 50.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 48) in the amount of Euros 1.006.988.000 (31 December 2017: Euros 1,022,068,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2018, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

The instruments classified as level 3 have associated net losses not performed in the amount of Euros 7,382,000 (2017: Euros 26,205,000) recorded in Other comprehensive income. The amount of impairment associated to these securities amounts to Euros 4,887,000 in 2018 (2017: Euros 549,752,000).

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	-	860	3,648,552	2,058,380	-	5,707,792
Foreign issuers	1,952	48,884	4,670,294	344,574	-	5,065,704
Bonds issued by other entities						
Portuguese issuers	264,471	13,010	368,519	594,390	3,722	1,244,112
Foreign issuers	372,340	-	65,060	87,129	-	524,529
Treasury bills and other Government bonds						
Portuguese issuers	38,726	814,766	-	-	-	853,492
Foreign issuers	174,348	501,575	-	-	-	675,923
Investment fund units	-	-	33,898	1,030,593	8,251	1,072,742
Shares of foreign companies	-	-	-	-	19,085	19,085
	851,837	1,379,095	8,786,323	4,115,066	31,058	15,163,379
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	851,837	1,379,095	8,786,323	4,115,066	27,336	15,159,657
Equity instruments						
Companies' shares						
Portuguese companies	-	-	-	-	28,209	28,209
Foreign companies	-	-	-	-	29,435	29,435
Investment fund units	-	-	-	12	2	14
Other securities	-	-	-	-	435	435
	-	-	-	12	58,081	58,093
	851,837	1,379,095	8,786,323	4,115,078	85,417	15,217,750

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by residual maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	-	113,832	1,153,773	1,783,059	-	3,050,664
Foreign issuers	34,481	668,025	2,468,195	129,987	-	3,300,688
Bonds issued by other entities						
Portuguese issuers	27,848	4,378	837,947	428,254	3,722	1,302,149
Foreign issuers	1,455,431	-	66,548	93,144	-	1,615,123
Treasury bills and other						
Government bonds						
Portuguese issuers	89,554	495,354	-	-	-	584,908
Foreign issuers	73,296	701,516	7,430	1,517	-	783,759
	1,680,610	1,983,105	4,533,893	2,435,961	3,722	10,637,291
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	1,680,610	1,983,105	4,533,893	2,435,961	-	10,633,569
Equity instruments						
Companies' shares						
Portuguese companies	-	-	-	-	30,829	30,829
Foreign companies	-	-	-	-	18,156	18,156
Investment fund units	-	1,818	16,307	1,061,438	7,665	1,087,228
Other securities	-	-	-	-	851	851
	-	1,818	16,307	1,061,438	57,501	1,137,064
	1,680,610	1,984,923	4,550,200	3,497,399	57,501	11,770,633

The changes occurred during 2018 in impairment for financial assets at fair value through other comprehensive are analysed as follows:

(Thousands of euros)

	2018
Balance on 31 December 2017	570,379
Transition adjustments IFRS 9	(565,229)
Balance on 1 January 2018	5,150
Transfers	867
Impairment through profit and loss	2,993
Reversals through profit and loss	(4,085)
Exchange rate differences	(38)
Balance at the end of the year	4,887

The changes occurred during 2017 in impairment for financial assets available for sale are analysed as follows:

(Thousands of euros)

	2017
Balance on 1 January	572,589
Transfers	211
Impairment through profit and loss	63,421
Amounts charged-off	(68,046)
Exchange rate differences	(148)
Other variations	2,352
Balance at the end of the year	570,379

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 31 December 2018 is as follows:

(Thousands of euros)

	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	47,066	1	-	-	47,067
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	4,062	511	-	-	4,573
Construction	-	377	30,118	2,394	32,889
Retail business	-	4,064	-	-	4,064
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	689,930	-	-	-	689,930
Telecommunications	-	7,849	-	-	7,849
Services					
Financial intermediation (*)	615,600	11,783	1,026,846	-	1,654,229
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	1	7,324	7,504	1	14,830
Other international activities	-	8	-	-	8
	1,764,919	57,644	1,092,276	3,722	2,918,561
Government and Public securities	10,773,496	-	1,529,415	-	12,302,911
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	12,538,415	57,644	2,621,691	-	15,217,750

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,006,988,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 48.

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)

	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 48.

The analysis of trading derivatives, by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	462,745	1,389,124	6,857,859	8,709,728	335,697	258,391
Interest rate options (purchase)	-	108,630	151,683	260,313	9	-
Interest rate options (sale)	-	12,692	144,472	157,164	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	462,745	1,529,620	7,275,602	9,267,967	337,737	259,559
Stock Exchange transactions:						
Interest rate futures	107,277	-	-	107,277	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	212,020	223,111	17,529	452,660	1,592	3,024
Currency swaps	2,623,052	621,812	41,564	3,286,428	8,639	12,403
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	2,903,222	895,175	113,599	3,911,996	13,588	18,776
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps:	-	-	59,264	59,264	480	1,826
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	459,994	-	19,730	479,724	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	871,023	950,649	1,658,277	3,479,949	16,288	8,816
Stock exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Shares/indexes options (purchase)	119,023	234,521	164,466	518,010	8,843	-
Shares/indexes options (sale)	57,212	10,402	1,724	69,338	-	597
	862,754	244,923	166,190	1,273,867	8,843	597
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	81,016	81,016	-	-
	123,531	-	375,153	498,684	267,141	287
Total derivatives traded in:						
OTC Market	4,360,521	3,375,444	9,481,895	17,217,860	635,234	289,264
Stock Exchange	970,066	244,923	166,190	1,381,179	8,843	597
Embedded derivatives					920	8,344
	5,330,587	3,620,367	9,648,085	18,599,039	644,997	298,205

The analysis of trading derivatives, by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate Derivatives:						
OTC Market:						
Interest rate swaps	678,483	989,986	9,006,938	10,675,407	419,592	347,497
Interest rate options (purchase)	-	83,417	113,839	197,256	456	-
Interest rate options (sale)	-	-	113,840	113,840	-	397
Other interest rate contracts	567	4,070	181,625	186,262	2,398	2,555
	679,050	1,077,473	9,416,242	11,172,765	422,446	350,449
Stock Exchange transactions:						
Interest rate futures	127,088	-	-	127,088	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	342,762	125,381	20,996	489,139	6,022	6,334
Currency swaps	1,234,112	727,606	14,625	1,976,343	12,282	22,884
Currency options (purchase)	11,168	61,638	-	72,806	1,539	-
Currency options (sale)	10,746	61,638	-	72,384	-	1,514
	1,598,788	976,263	35,621	2,610,672	19,843	30,732
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	345,574	1,323,637	1,251,343	2,920,554	8,406	4,184
Shares/indexes options (purchase)	-	-	2,067	2,067	-	-
Shares/indexes options (sale)	522,088	-	-	522,088	-	-
Other shares/indexes options (purchase)	-	-	16,864	16,864	15,588	-
Other shares/indexes options (sale)	-	-	16,864	16,864	-	-
	867,662	1,323,637	1,287,138	3,478,437	23,994	4,184
Stock Exchange transactions:						
Shares futures	500,045	181,357	-	681,402	-	-
Shares/indexes options (purchase)	119,646	260,182	161,552	541,380	10,810	-
Shares/indexes options (sale)	4,072	2,710	2,668	9,450	-	474
	623,763	444,249	164,220	1,232,232	10,810	474
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	13,353	-	-	13,353	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	214,950	177,800	428,310	821,060	264,189	2,988
Other credit derivatives (sale)	-	-	69,370	69,370	-	-
	214,950	177,800	497,680	890,430	264,189	2,988
Total derivatives traded in:						
OTC Market	3,360,450	3,555,173	11,236,681	18,152,304	730,472	388,353
Stock Exchange	764,204	444,249	164,220	1,372,673	10,810	474
Embedded derivatives					2	10,274
	4,124,654	3,999,422	11,400,901	19,524,977	741,284	399,101

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)

	2017				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by public entities					
Foreign issuers	23,674	50,859	45,340	-	119,873
Bonds issued by other entities					
Portuguese issuers	-	-	173,909	39,145	213,054
Foreign issuers	-	-	-	78,872	78,872
	23,674	50,859	219,249	118,017	411,799

This note should be analysed together with note 22.

The analysis of Financial assets held to maturity, by sector of activity, as at 31 December 2017, was analysed as follows:

(Thousands of euros)

	2017
Transports and communications	173,909
Services	
Financial intermediation	78,872
Consulting, scientific and technical activities	39,145
	291,926
Government and Public securities	119,873
	411,799

25. Hedging derivatives

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

(Thousands of euros)

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Swaps	123,054	177,900	234,345	164,438
Others	-	-	-	12,899
	123,054	177,900	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 2018, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 3,187,000 (2017: negative amount of Euros 5,533,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 4,636,000 (2017: negative amount of Euros 4,706,000).

During 2018, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 23,004,000 (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	2018	2017
Loans	5,306	4,886
Securities acquisition	(65,176)	(27,564)
Deposits	(10,214)	2,447
Debt issued	(148)	(48,415)
	(70,232)	(68,646)

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	-	24,500	3,976,674	4,001,174	12,662	77,787
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by OTC Market	447,220	876,520	19,515,361	20,839,101	123,054	177,900

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	-	5,288	6,724,940	6,730,228	20,444	53,744
Others	450,000	-	-	450,000	-	12,899
	450,000	5,288	6,724,940	7,180,228	20,444	66,643
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	76,396	249,784	12,467,904	12,794,084	3,756	46,054
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	89,800	9,932	-	99,732	12,501	-
Other currency contracts	492,427	412,928	2,781,626	3,686,981	197,644	42,352
	582,227	422,860	2,781,626	3,786,713	210,145	42,352
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	-	224,675	371,152	595,827	-	22,288
Total derivatives traded by OTC Market	1,108,623	902,607	22,345,622	24,356,852	234,345	177,337

26. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Portuguese credit institutions	42,486	35,249
Foreign credit institutions	237,991	331,617
Other Portuguese companies	180,832	284,611
Other foreign companies	21,785	21,897
	483,094	673,374
Impairment	(78,012)	(102,012)
	405,082	571,362

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	2018				2017
	Ownership on equity	Goodwill	Impairment for investments	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	138,460	-	-	138,460	252,577
Banco Millennium Atlântico, S.A.	103,073	98,116	(60,001)	141,188	212,797
Banque BCP, S.A.S.	36,802	-	-	36,802	34,819
Mundotêxtil - Indústrias Têxteis, S.A.	6,762	-	-	6,762	6,198
SIBS, S.G.P.S, S.A.	32,629	-	-	32,629	23,954
Unicre - Instituição Financeira de Crédito, S.A.	35,051	7,435	-	42,486	35,249
Webspectator Corporation	92	18,011	(18,011)	92	87
Others	6,663	-	-	6,663	5,681
	359,532	123,562	(78,012)	405,082	571,362

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

The Group's companies included in the consolidation perimeter are presented in note 60.

The main indicators of the principal associated companies, as at 31 December 2018, are analysed as follows:

(Thousands of euros)

	2018 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,000,281	10,403,166	1,149,380	60,894
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,952,382	3,570,117	539,337	90,872
Banque BCP, S.A.S.	France	19.9	3,867,689	3,682,412	123,017	18,375
SIBS, S.G.P.S, S.A. (**)	Portugal	23.3	176,438	56,587	186,182	24,400
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32.0	375,636	269,074	132,375	21,227

(a) - Non audited accounts

(*) - These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

(**) - Provisional values.

The main indicators of the principal associated companies, as at 31 December 2017, are analysed as follows:

(Thousands of euros)

	2017					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,278,530	10,448,465	743,193	60,447
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	5,374,669	4,728,806	588,976	125,593
Banque BCP, S.A.S.	France	19.9	3,501,501	3,326,529	120,391	17,662
SIBS, S.G.P.S, S.A.	Portugal	21.9	176,438	56,587	186,182	24,574
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	351,034	248,737	158,237	24,309

(*) - These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in investments in Millenniumbcp Ageas Group Segurador, S.G.P.S., S.A. and in Banco Millennium Atlântico, S.A., are analysed as follows:

(Thousands of euros)

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (*)		Banco Millennium Atlântico, S.A.	
	2018	2017	2018	2017
Ownership held by BCP on equity of the associated companies as at 1 January	252,577	244,497	212,797	219,754
Application of IFRS 9 - Effect on 1 January 2018	-	-	(4,184)	-
Application of IAS 29 - Effect on 1 January 2017 (note 44)				
Net non-monetary assets of the BMA	-	-	-	26,010
Goodwill associated with BMA investment	-	-	-	18,238
Impairment for investments in associated companies	-	-	-	(44,248)
Application of IAS 29 for the year:				
Net non-monetary assets of the BMA				
Effect on BMA's equity (note 44)	-	-	18,250	34,321
Effect of exchange rate variations (note 44)	-	-	(21,267)	(2,729)
Revaluation in net income (note 14)	-	-	759	(9,092)
Goodwill of the merger operation of the BMA				
Effect of exchange rate variations (note 44)	-	-	(17,426)	(3,164)
Revaluation in net income (note 14)	-	-	12,623	20,417
Impairment for investments in associated companies	-	-	(12,623)	(39,753)
Appropriation of the net income of the associated companies (note 14)	35,361	35,413	20,659	28,534
Appropriation of the net income of previous years (note 14)	-	-	19	(14)
Other comprehensive income attributable to BCP	(6,398)	26,442	885	1,007
Exchange differences				
Effect on BMA's equity	-	-	(62,304)	(19,082)
Goodwill associated with BMA investment	-	-	(28,866)	(3,392)
Impairment for investments in associated companies	-	-	36,623	-
Capital reimbursement	(98,000)	-	-	-
Dividends received	(45,080)	(53,900)	(14,757)	(14,011)
Other adjustments	-	125	-	1
Investment held at the end of the year	138,460	252,577	141,188	212,797

(*) For Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. includes adjustments according to BCP GAAP.

The following table presents the financial statements, prepared in accordance with IFRS, for the mentioned associated companies modified by the consolidation adjustments:

(Thousands of euros)

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.	
	2018	2017	2018	2017 (a)
Income Statement				
Income (*)	1,149,380	743,193	539,337	589,731
Net profit for the year (*)	60,894	60,447	90,872	125,510
Comprehensive income (*)	(13,057)	53,962	3,889	4,427
Total comprehensive income attributable to Shareholders of the associated companies (*)	47,837	114,409	94,761	129,937
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (**)	11,272	11,826		
Application of IAS 29 (***)			3,339	(39,992)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	59,109	126,235	98,100	89,945
Attributable to the BCP Group	28,963	61,855	22,303	20,449
Balance sheet				
Financial assets (*)	10,528,220	10,906,584	3,258,359	4,453,054
Non-financial assets (*)	472,061	371,946	694,023	923,316
Financial liabilities (*)	(10,273,763)	(10,358,115)	(3,494,473)	(4,614,674)
Non-financial liabilities (*)	(129,403)	(90,350)	(75,644)	(116,913)
Total equity (*)	597,115	830,065	382,265	644,783
Attributable to non-controlling interests (*)	11,215	-	-	-
Attributable to Shareholders of the associated companies (*)	585,900	830,065	382,265	644,783
Adjustments of intra-group transactions (reverse of the VOBA total amortisations (**)	327,574	316,301		
Application of IAS 29 (***)			203,445	213,376
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	913,474	1,146,366	585,710	858,159
Attributable to the BCP Group	447,602	561,719	133,159	195,099
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)		
Goodwill of the merge			68,030	101,699
Impairment for investments in associated companies	-	-	(60,001)	(84,001)
Attributable to the BCP Group adjusted of consolidation items	138,460	252,577	141,188	212,797

(a) Provisional accounts used for consolidation purposes which differ from the final accounts presented in this note.

(*) The amounts presented Banco Millennium Atlântico, S.A. do not include adjustments arising from the application of IAS 29.

(**) VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

(***) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), being accounted as investment in an associate under the equity method.

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 is in force on 1 January 2018, the insurance companies can choose for the temporary exemption until 2021.

The Group chose for the temporary exemption until 2021, following the approach of Mbcp Ageas, and as far it fulfils the requirements to be accomplish with the temporary exemption until 2021 which are:

- The entity didn't adopt previously the IFRS 9;
- The liabilities measured according IFRS 4 are significative;
- The weight of IFRS4 liabilities in total liabilities of entity is more than 90%;
- Non-related activities with insurance activity isn't significant.

This exception, and based on paragraph 20P b) and 20Oa) of IFRS 4, allows the Group to apply IFRS 9 in its consolidated accounts and to have Mbcp Ageas not applying IFRS 9 in its individual accounts (which are integrated into the consolidated accounts using the equity method).

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 31 December 2018, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a negative amount of Euros 48,000.

27. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans (note 55)	1,516,604	(209,622)	1,306,982	1,799,228	(234,840)	1,564,388
Assets belong to investments funds and real estate companies (note 55)	431,565	(62,571)	368,994	536,911	(56,552)	480,359
Assets for own use (closed branches)	45,658	(10,871)	34,787	67,092	(14,886)	52,206
Equipment and other	72,216	(13,635)	58,581	48,045	(11,877)	36,168
Subsidiaries acquired exclusively with the purpose of short-term sale	69,338	-	69,338	-	-	-
Other assets	29,776	-	29,776	31,446	-	31,446
	2,165,157	(296,699)	1,868,458	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 process of recovered loans or judicial auction 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 55.

These assets are available for sale in a period less than one year and the Group 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 Group 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 43,460,000 (31 December 2017: Euros 77,152,000), of which Euros 4,688,000 (31 December 2017: Euros 7,079,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 5,091,000 (31 December 2017: Euros 4,832,000), of which Euros 982,000 (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)

	2018	2017
Balance on 1 January	318,155	227,579
Transfers (a)	4,383	-
Charge for the year (note 12)	78,612	155,882
Reversals for the year (note 12)	(18,018)	(5,264)
Amounts charged-off	(86,431)	(60,173)
Exchange rate differences	(2)	131
Balance at the end of the year	296,699	318,155

(a) In 2018, 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 occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

28. Investment property

As at 31 December 2018, 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.

The rents received related to these assets amounted to Euros 547,000 (31 December 2017: Euros 761,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 253,000 (31 December 2017: Euros 295,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	12,400	12,692
Transfers from / to non-current assets held for sale (note 27)	-	7,617
Transfers from / (to) other tangible assets (note 29)	-	(3,808)
Revaluations	(168)	(1,858)
Disposals	(1,174)	(2,243)
Balance at the end of the year	11,058	12,400

29. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Real estate	780,726	830,989
Equipment:		
Computer equipment	306,699	300,310
Security equipment	71,703	70,960
Interior installations	143,114	140,628
Machinery	45,871	45,279
Furniture	84,363	83,202
Motor vehicles	32,948	30,597
Other equipment	32,663	31,394
Work in progress	21,719	20,288
Other tangible assets	236	230
	1,520,042	1,553,877
Accumulated depreciation		
Relative to the current year (note 9)	(42,819)	(41,685)
Relative to the previous years	(1,015,947)	(1,021,769)
	(1,058,766)	(1,063,454)
	461,276	490,423

As at 31 December 2018, the balance Real Estate includes the amount of Euros 128,604,000 (31 December 2017: Euros 166,601,000) related to real estate held by the Group's real estate investment funds.

The changes occurred in Other tangible assets, during 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 31 December
Real estate	830,989	5,186	(61,969)	8,617	(2,097)	780,726
Equipment:						
Computer equipment	300,310	9,896	(7,542)	4,670	(635)	306,699
Security equipment	70,960	1,385	(692)	49	1	71,703
Interior installations	140,628	1,983	(3,209)	3,705	7	143,114
Machinery	45,279	1,149	(573)	580	(564)	45,871
Furniture	83,202	1,962	(1,439)	635	3	84,363
Motor vehicles	30,597	7,092	(4,667)	231	(305)	32,948
Other equipment	31,394	27	(1,356)	3,408	(810)	32,663
Work in progress	20,288	29,676	(355)	(27,794)	(96)	21,719
Other tangible assets	230	2	-	4	-	236
	1,553,877	58,358	(81,802)	(5,895)	(4,496)	1,520,042
Accumulated depreciation						
Real estate	(442,632)	(18,321)	26,361	1,924	1,590	(431,078)
Equipment:						
Computer equipment	(274,652)	(11,149)	7,179	4	416	(278,202)
Security equipment	(65,726)	(1,453)	692	81	(3)	(66,409)
Interior installations	(128,313)	(2,394)	3,163	99	(10)	(127,455)
Machinery	(42,093)	(648)	557	(213)	524	(41,873)
Furniture	(74,571)	(2,235)	1,436	(224)	(6)	(75,600)
Motor vehicles	(12,876)	(4,649)	3,304	(130)	57	(14,294)
Other equipment	(22,555)	(1,970)	1,356	(1,207)	557	(23,819)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,063,454)	(42,819)	44,048	334	3,125	(1,058,766)
	490,423	15,539	(37,754)	(5,561)	(1,371)	461,276

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)

	2018	2017
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	111,853	115,094
Real estate and mortgage credit	40,859	40,859
Others	17,781	20,976
	170,493	176,929
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(13,278)	(16,473)
	(54,137)	(57,332)
	116,356	119,597
Intangible assets		
Software	142,229	122,124
Other intangible assets	56,765	56,731
	198,994	178,855
Accumulated amortisation		
Charge for the year (note 9)	(14,926)	(11,897)
Charge for the previous years	(126,029)	(122,149)
	(140,955)	(134,046)
	58,039	44,809
	174,395	164,406

According to the accounting policy described in note 1 B), 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 2018, 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.

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 2023. 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 the 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 for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2019 to 2023, considering, along this period, a compound annual growth rate of 6.5% for Total Assets and of 11.7% for Total Equity, while considering a ROE evolution from 9.3% in 2019 to 10.4% by the end of the period.

The exchange rate EUR/PLN considered was 4.2966 at the end of 2018. The Cost of Equity considered was 9.25% for the period 2019-2023 and in perpetuity. The annual growth rate in perpetuity (g) was 2.6%.

The changes occurred in Goodwill and intangible assets balances, during 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 31 December
Goodwill - Differences arising on consolidation	176,929	-	(3,195)	-	(3,241)	170,493
Impairment for goodwill	(57,332)	-	3,195	-	-	(54,137)
	119,597	-	-	-	(3,241)	116,356
Intangible assets						
Software	122,124	28,697	(5,801)	(884)	(1,907)	142,229
Other intangible assets	56,731	1,505	-	137	(1,608)	56,765
	178,855	30,202	(5,801)	(747)	(3,515)	198,994
Accumulated depreciation						
Software	(80,286)	(13,307)	5,755	(749)	1,461	(87,126)
Other intangible assets	(53,760)	(1,619)	-	31	1,519	(53,829)
	(134,046)	(14,926)	5,755	(718)	2,980	(140,955)
	44,809	15,276	(46)	(1,465)	(535)	58,039
	164,406	15,276	(46)	(1,465)	(3,776)	174,395

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

31. Income tax

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

(Thousands of euros)

	2018			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	800,003	(50,303)	749,700	1,001,097	(50,303)	950,794
Tax losses carried forward	328,229	-	328,229	321,774	-	321,774
Employee benefits	43,659	(222)	43,437	32,026	(1,804)	30,222
Financial assets at fair value through other comprehensive income	157,957	(188,577)	(30,620)	n.a.	n.a.	n.a.
Financial assets available for sale	n.a.	n.a.	n.a.	33,531	(26,461)	7,070
Derivatives	-	(6,071)	(6,071)	-	(6,821)	(6,821)
Intangible assets	39	-	39	39	-	39
Other tangible assets	8,759	(3,184)	5,575	9,827	(3,409)	6,418
Others	24,069	(13,085)	10,984	26,344	(19,407)	6,937
	1,362,715	(261,442)	1,101,273	1,424,638	(108,205)	1,316,433
Total deferred taxes	3,172,612	(261,442)	2,911,170	3,239,942	(108,205)	3,131,737
Offset between deferred tax assets and deferred tax liabilities	(255,982)	255,982	-	(102,175)	102,175	-
Net deferred taxes	2,916,630	(5,460)	2,911,170	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 as well as 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 Special Regime applicable to the deferred tax assets, 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 withe headquarter in Portugal from 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, those 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 their creation, and the issuing bank shall deposit in favour 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:

	2018	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. adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2017 and 2018 the RETGS application was maintained.

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 impairment losses in credits 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	2018	2017
2018	-	1,870
2019-2025	8,437	112
2026	10,297	80,758
2028 and following	309,495	239,034
	328,229	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 until 31 December 2017 and IFRS 9 from 1 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 Decrees No. 11/2017, of 28 December, and No. 13/2018, 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 and 2018, respectively. These Regulatory Decrees establish that the Notice of Bank of Portugal No. 3/95 (notice that was relevant to determine the provisions for credit in financial statements in NCA basis) should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017 and 2018, respectively.

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 Bank's interpretation of the application of IRC Code general rules.

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 recognised 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 based on the respective financial statements prepared under the budget process for 2019 and adjusted according to the strategic plan approved by the elected governing bodies, which support future taxable income, considering the macroeconomic and competitive environment.

To estimate taxable profits for the periods 2019 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 2019, the tax rules considered, that were in force in 2018, similar to the one's in force in 2015, 2016 and 2017, and through 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 applying these rules, the following assumptions were considered in general terms:

a) non-deductible expenses related to charge in credit impairments were estimated based on the average percentage of amounts not deducted for tax purposes in the last years, compared to the amounts of impairment charges recorded in those years;

b) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 and also based on the average reversal percentage observed in the last years;

c) the average percentages concerned were segregated, depending on the existence or absence of a mortgage guarantee, the eligibility for the special regime applicable to deferred tax assets and according to the classification of clients as Non Performing Exposures;

- 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 were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made, take into consideration, 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 globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, 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 31 December 2018.

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

(Thousands of euros)

Tax losses carried forward	2018	2017
2017	-	2,258
2018	1,595	1,595
2019-2025	149,694	1,772
2026	203,349	132,901
2027 and following	209,397	279,887
	564,035	418,413

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

(Thousands of euros)

	2018			
		Reserves and retained earnings		
	Net income for the year	Impact of adoption of IFRS 9	Movement of the year	Exchange differences
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(3,230)	276	(264)	-
Employee benefits	(2,189)	-	-	-
	(5,419)	276	(264)	-
Deferred taxes depending on the future profits				
Impairment losses	(22,005)	(182,551)	370	3,092
Tax losses carried forward (b)	(5,031)	-	11,352	134
Employee benefits	9,862	-	3,461	(108)
Financial assets at fair value through other comprehensive income	(10,076)	33,341	(53,954)	69
Financial assets available for sale	n.a.	(7,070)	n.a.	n.a.
Derivatives	562	-	-	188
Other tangible assets	(824)	-	-	(19)
Others	473	6,373	3,250	(6,049)
	(27,039)	(149,907)	(35,521)	(2,693)
	(32,458)	(149,631)	(35,785)	(2,693)
Current taxes				
Current year	(107,043)	1,047	(963)	-
Correction of previous years	1,484	-	-	-
	(105,559)	1,047	(963)	-
	(138,017)	(148,584)	(36,748)	(2,693)

(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 realities recognised in reserves and retained earnings considered for taxable income purposes.

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

(Thousands of euros)

	2017		
	Net income / (loss) for the year	Reserves and retained earnings	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	48,860	-	-
Employee benefits	16,660	33,109	-
	65,520	33,109	-
Deferred taxes depending on the future profits			
Impairment losses	70,807	-	1,645
Tax losses carried forward	(84,703)	(88,428)	120
Employee benefits	3,023	(4,071)	(1,565)
Financial assets available for sale	10,076	(59,083)	707
Derivatives	1,023	-	(400)
Other tangible assets	1,616	-	60
Others	4,592	(3,972)	(575)
	6,434	(155,554)	(8)
	71,954	(122,445)	(8)
Current taxes			
Current year	(103,756)	34	-
Correction of previous years	1,643	-	-
	(102,113)	34	-
	(30,159)	(122,411)	(8)

(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)

	2018	2017
Net income / (loss) before income taxes	558,209	318,491
Current tax rate (%)	31.5%	31.5%
Expected tax	(175,836)	(100,325)
Employees' benefits	1,558	12,003
Tax benefits	14,819	9,473
Derecognition of deferred tax associated with tax losses	-	(87,208)
Effect of the difference between the tax rate and deferred tax recognised / not recognised (a)	24,179	158,103
Non-deductible costs and other corrections	406	4,370
Non-deductible impairment and provisions	(718)	(30,970)
Results of companies accounted by the equity method	23,875	28,866
Autonomous tax	(2,337)	(1,840)
Contribution to the banking sector (b)	(23,963)	(22,631)
Total	(138,017)	(30,159)
Effective rate (%)	24.72%	9.47%

(a) The 2017 value refers essentially to the deferred tax impact of the increase in the State tax rate for the portion of taxable income in excess of Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018.

(b) Corresponds to the effect of the contribution to the banking sector in Portugal, in the amount of Euros 10,416,000 (31 December 2017: Euros 9,777,000) and contribution to the banking sector in Poland, in the amount of Euros 13,547,000 (31 December 2017: 12,854,000).

32. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Deposit account applications	53,417	136,255
Associated companies	1,644	579
Subsidies receivables	8,767	3,794
Prepaid expenses	29,307	31,063
Debtors for futures and options transactions	109,445	97,830
Insurance activity	6,297	8,256
Debtors		
Residents		
Advances to suppliers	962	887
Prosecution cases / agreements with the Bank	11,713	12,126
SIBS	6,005	7,136
Receivables from real estate, transfers of assets and other securities	36,760	31,012
Others	72,897	86,780
Non-residents	43,150	28,904
Interest and other amounts receivable	43,969	41,119
Amounts receivable on trading activity	33,792	108,410
Gold and other precious metals	3,617	3,639
Other financial investments	165	165
Other recoverable tax	22,026	24,693
Artistic patrimony	28,811	28,845
Capital supplementary contributions	-	8,318
Reinsurance technical provision	5,243	12,930
Obligations with post-employment benefits (note 51)	12,707	116,781
Capital supplies	227,295	221,055
Amounts due for collection	45,501	36,636
Amounts due from customers	217,483	130,954
Sundry assets	75,984	156,503
	1,096,957	1,334,670
Impairment for other assets	(285,141)	(282,646)
	811,816	1,052,024

As referred in note 48, as at 31 December 2018 and 2017, the balances Capital supplies include the amount of Euros 226,049,000 and Euros 219,656,000 and, as at 31 December 2017, 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 31 December 2018, the balance Deposit account applications includes the amount of Euros 16,307,000 (31 December 2017: Euros 94,770,000) on the Clearing houses / Clearing derivatives.

The balance 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 registered in the income statement.

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

(Thousands of euros)

	2018	2017
Balance on 1 January	282,646	267,389
Transfers (a)	51,842	41,243
Charge for the year (note 12)	7,234	13,616
Reversals for the year (note 12)	(1,414)	(1,029)
Amounts charged-off	(55,164)	(38,635)
Exchange rate differences	(3)	62
Balance at the end of the year	285,141	282,646

(a) As at 31 December 2018, 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 occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

33. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,950,657	3,950,657	-	3,969,732	3,969,732
Central Banks abroad	-	805,264	805,264	-	172,226	172,226
	-	4,755,921	4,755,921	-	4,141,958	4,141,958
Resources from credit institutions in Portugal						
Very short-term deposits	-	8,134	8,134	-	19,993	19,993
Sight deposits	119,634	-	119,634	104,155	-	104,155
Term Deposits	-	190,825	190,825	-	89,247	89,247
Loans obtained	-	1,154	1,154	-	1,095	1,095
Other resources	2,560	-	2,560	1,570	-	1,570
	122,194	200,113	322,307	105,725	110,335	216,060
Resources from credit institutions abroad						
Very short-term deposits	-	700	700	-	83	83
Sight deposits	184,543	-	184,543	121,208	-	121,208
Term Deposits	-	216,900	216,900	-	454,713	454,713
Loans obtained	-	1,818,677	1,818,677	-	1,715,246	1,715,246
Sales operations with repurchase agreement	-	451,712	451,712	-	827,913	827,913
Other resources	-	2,036	2,036	-	10,176	10,176
	184,543	2,490,025	2,674,568	121,208	3,008,131	3,129,339
	306,737	7,446,059	7,752,796	226,933	7,260,424	7,487,357

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2018	2017
Up to 3 months	1,965,667	1,312,660
3 to 6 months	52,630	71,012
6 to 12 months	231,413	297,739
1 to 5 years	4,682,096	4,736,613
Over 5 years	820,990	1,069,333
	7,752,796	7,487,357

The balance 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 23,734,000 (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 balance 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)

	2018			2017		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	30,143,049	449,154	30,592,203	24,936,894	510,549	25,447,443
Term deposits	-	18,231,848	18,231,848	-	19,310,419	19,310,419
Saving accounts	-	3,512,313	3,512,313	-	3,016,883	3,016,883
Treasury bills and other assets sold under repurchase agreement	-	15,958	15,958	-	129,764	129,764
Cheques and orders to pay	312,365	-	312,365	370,295	-	370,295
Other	-	-	-	-	10,621	10,621
	30,455,414	22,209,273	52,664,687	25,307,189	22,978,236	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 Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2018	2017
Deposits repayable on demand	30,592,203	25,447,443
Term deposits and saving accounts		
Up to 3 months	10,882,082	10,968,328
3 to 6 months	5,676,407	5,993,472
6 to 12 months	4,557,361	4,877,607
1 to 5 years	614,111	473,695
Over 5 years	14,200	14,200
	21,744,161	22,327,302
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	15,958	129,764
Cheques and orders to pay		
Up to 3 months	312,365	370,295
Other		
Up to 3 months	-	1,764
6 to 12 months	-	1,286
1 to 5 years	-	7,571
	-	10,621
	52,664,687	48,285,425

35. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Bonds	310,164	709,225
Covered bonds	994,347	992,725
Medium term notes (MTNs)	77,488	20,365
Securitisations	298,395	338,011
	1,680,394	2,060,326
Accruals	5,693	6,212
	1,686,087	2,066,538

During 2017, Banco Comercial Português, S.A. issued covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May 2017. The issue, in the amount of Euros 1,000 million, has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The characteristics of the bonds issued by the Group, as at 31 December 2018 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP Fixa out 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate 6.875%	5,400	6,005
BCP Float Jan 2019-Vm 105-Ref.38	December, 2011	January, 2019	Until 5Apr 2012: Fixed rate 2.367% year; after 5 Apr 2012: Euribor 3M + 0.81%	50,000	49,960
BCP Float Feb 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1%	10,850	10,780
BCP Fixa out 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate 6.875%	9,500	10,553
BCP Fixa out 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate 6.875%	4,000	4,439
BCP Fixa out 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate 6.875%	2,000	2,209
BCP Fixa out 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate 6.875%	4,900	5,412
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate 4.75%	27,100	28,438
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,511
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0,75%	1,000,000	994,347
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to 3 shares portfolio	6,453	6,364
Bcp Mill Cabaz 3 Acoes Fev 2021 - Smtn Sr 6	February, 2018	February, 2021	Indexed to portfolio of 3 shares	11,121	11,121
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to portfolio of 3 shares	24,664	24,664
Bcp Part Euro Acoes Valor Iii/18 - Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,370
Bcp Tit Div Mill Cabaz 3 Acoes Mai 2021-Smtn Sr 10	May, 2018	May, 2021	Indexed to portfolio of 3 shares	32,853	32,853
Bcp Perfor Cabaz Ponder 18/17.05.21 - Smtn Sr.14	May, 2018	May, 2021	Indexed to portfolio of 3 shares	810	810
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	300	306
Magellan Mortgages n.º 2:					
SPV Magellan n.º 2 - Class A Notes	October, 2003	July, 2036	Euribor 3M + 0.44%	30,073	30,073
SPV Magellan n.º 2 - Class B Notes	October, 2003	July, 2036	Euribor 3M + 1.1%	39,640	39,640
SPV Magellan n.º 2 - Class C Notes	October, 2003	July, 2036	Euribor 3M + 2.3%	18,900	18,900
SPV Magellan n.º 2 - Class D Notes	October, 2003	July, 2036	Euribor 3M + 1.7%	3,500	3,500
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	219,534	203,599
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	1,133	1,051
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,759	1,632
Bank Millennium:					
Bank Millennium - BPW_2019/01	December, 2015	January, 2019	Indexed to 4 indexes	364	364
Bank Millennium - BPW_2019/01A	January, 2016	January, 2019	Indexed to 4 shares portfolio	107	107
Bank Millennium - BPW_2019/03	February, 2016	March, 2019	Indexed to Gold Fix Price	2,171	2,171
Bank Millennium - BPW_2019/03A	March, 2016	March, 2019	Indexed to Gold Fix Price	2,368	2,368
Bank Millennium - BPW_2019/03B	March, 2016	March, 2019	Indexed to Gold Fix Price	1,061	1,061

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bank Millennium - BPW_2019/04	April, 2016	April, 2019	Indexed to Gold Fix Price	2,473	2,473
Bank Millennium - BPW_2019/04A	April, 2016	April, 2019	Indexed to DAX index	574	574
Bank Millennium - BPW_2019/05	May, 2016	May, 2019	Indexed a Platinum Price index	2,706	2,706
Bank Millennium - BPW_2019/06A	June, 2016	June, 2019	Indexed to portfolio of 5 shares	2,087	2,087
Bank Millennium - BPW_2019/07	July, 2016	July, 2019	Indexed to Gold Fix Price	2,554	2,554
Bank Millennium - BPW_2019/08	August, 2016	August, 2019	Indexed to Silver Fix Price	1,603	1,603
Bank Millennium - BPW_2019/09	September, 2016	September, 2019	Indexed to Gold Fix Price	1,899	1,899
Bank Millennium - BPW_2020/02	February, 2017	February, 2020	Indexed to Platinum Price index	1,679	1,679
Millennium Leasing - G6	February, 2017	February, 2019	Rate 2,73%	7,215	7,215
Bank Millennium - BPW_2020/03	March, 2017	March, 2020	Indexed to Facebook	1,964	1,964
Bank Millennium - BPW_2020/04	April, 2017	April, 2020	Indexed to Gold Fix Price	549	549
Bank Millennium - BKMO_210420T	April, 2017	April, 2020	Rate 2,81%	69,725	69,725
Bank Millennium - BPW_2020/05	May, 2017	May, 2020	Indexed to 4 shares portfolio	764	764
Millennium Leasing - G7	May, 2017	May, 2019	Rate 2,63%	7,627	7,627
Bank Millennium - BPW_2020/06	June, 2017	June, 2020	Indexed to 4 shares portfolio	644	644
Bank Millennium - BPW_2020/07	July, 2017	July, 2020	Indexed to index WIG20	721	721
Bank Millennium - BPW_2020/08	August, 2017	August, 2020	Indexed to Alibaba	631	631
Bank Millennium - BPW_2020/09	September, 2017	September, 2020	Indexed to Louis Vuitton	773	773
Millennium Leasing - G8	September, 2017	September, 2019	Rate 2,63%	4,888	4,888
Bank Millennium - BPW_2020/10	October, 2017	October, 2020	Indexed to Gold Fix Price	1,062	1,062
Bank Millennium - BPW_2020/11	November, 2017	November, 2020	Indexed to index S&P 500	1,834	1,834
Bank Millennium - BPW_2020/12	December, 2017	December, 2020	Indexed to 5 shares portfolio	846	846
Bank Millennium - BPW_2020/02A	February, 2018	February, 2020	Indexada ao índice S&P 500	725	725
Bank Millennium - BPW_2020/03A	March, 2018	March, 2020	Indexada ao índice DAX	2,418	2,418
Millennium Leasing - G9	March, 2018	March, 2020	Rate2,61%	11,986	11,986
Bank Millennium - BPW_2020/04A	April, 2018	April, 2020	Indexed to Nasdaq 100 index	3,639	3,639
Bank Millennium - BPW_2021/05	May, 2018	May, 2021	Indexed to Gold Fix Price	1,511	1,511
Bank Millennium - BPW_2021/06A	June, 2018	June, 2021	Indexed to Nasdaq 100 index	2,772	2,772
Bank Millennium - BPW_2020/07A	July, 2018	June, 2021	Indexed to FTSE MIB index	3,966	3,966
Millennium Leasing - G10	July, 2018	July, 2020	Rate 2,60%	8,611	8,611
Bank Millennium - BPW_2020/09A	September, 2018	September, 2020	Indexed to Facebook shares	4,448	4,448
Bank Millennium - BPW_2020/09B	September, 2018	September, 2020	Indexed to Facebook shares	3,131	3,131
Bank Millennium - BPW_2020/09C	September, 2018	September, 2020	Indexed to Facebook shares	1,806	1,806
Bank Millennium - BPW_2020/10A	October, 2018	October, 2020	Indexed to DAX index	4,256	4,256
Bank Millennium - BPW_2020/10B	October, 2018	October, 2020	Indexed to DAX index	2,908	2,908
Millennium Leasing - G11	October, 2018	October, 2020	Rate 2,62%	3,770	3,770
Bank Millennium - BPW_2020/11A	November, 2018	November, 2020	Indexed to FTSE MIB index	3,575	3,575
Bank Millennium - BPW_2020/11B	November, 2018	November, 2020	Indexed to FTSE MIB index	1,611	1,611
Bank Millennium - BPW_2020/12A	December, 2018	December, 2020	Indexed to Nasdaq 100 index	5,841	5,841
					1,680,394
Accruals					5,693
					1,686,087

This balance as at 31 December 2018, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	74,027	15,466	39,561	181,110	-	310,164
Covered bonds	-	-	-	994,347	-	994,347
MTNs	-	-	-	77,182	306	77,488
Securitisations	-	-	-	-	298,395	298,395
	74,027	15,466	39,561	1,252,639	298,701	1,680,394

This balance as at 31 December 2017, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	116,186	170,140	46,351	374,554	1,994	709,225
Covered bonds	-	-	-	992,725	-	992,725
MTNs	-	-	-	9,958	10,407	20,365
Securitisations	-	-	-	-	338,011	338,011
	116,186	170,140	46,351	1,377,237	350,412	2,060,326

36. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Bonds		
Non Perpetual	1,036,785	1,133,427
Perpetual	27,021	27,092
	1,063,806	1,160,519
Accruals	8,299	8,543
	1,072,105	1,169,062

As at 31 December 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	51,173
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	28,881
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	16,158
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,637	979
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,541	7,444
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,234	6,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,297	5,010
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,334	2,901
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (iii)	300,000	298,620	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	162,920	162,920	42,409
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,445	80,331	14,978
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,036,785	509,274
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See reference (ii)	Euribor 3M+2,25%	4,986	4,986	1,994
					27,021	10,808
Accruals					8,299	-
					1,072,105	520,082

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

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) June 2019; (ii) March 2019.

Interest rate

(iii) 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

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

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%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2018	2017
3 to 6 months	-	67,307
Up to 1 year	133,709	-
1 to 5 years	441,492	599,854
Over 5 years	461,584	466,266
Undetermined	27,021	27,092
	1,063,806	1,160,519
Accruals	8,299	8,543
	1,072,105	1,169,062

37. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Short selling securities	28,803	-
Trading derivatives (note 23):		
Swaps	281,724	377,553
Options	3,966	2,385
Embedded derivatives	8,344	10,274
Forwards	3,024	6,334
Others	1,147	2,555
	298,205	399,101
	327,008	399,101
Level 1	266	1,019
Level 2	289,039	387,157
Level 3	37,703	10,925

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 50.

The balance Financial liabilities held for trading includes, as at 31 December 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 8,344,000 (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)

	2018	2017
Deposits from customers	2,583,549	2,902,392
Debt securities at fair value through profit and loss		
Bonds	826	13,368
Medium term notes (MTNs)	340,274	160,466
	341,100	173,834
Accruals	806	3,500
	341,906	177,334
Certificates	678,192	763,919
	3,603,647	3,843,645

As at 31 December 2018, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	409,770	532,337	424,000	1,217,442	-	2,583,549
Debt securities at fair value through profit and loss						
Bonds	-	-	566	260	-	826
MTNs	-	-	-	340,274	-	340,274
	-	-	566	340,534	-	341,100
Certificates	-	-	-	-	678,192	678,192
	409,770	532,337	424,566	1,557,976	678,192	3,602,841

As at 31 December 2017, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	377,045	395,330	925,921	1,204,096	-	2,902,392
Debt securities at fair value through profit and loss						
Bonds	2,042	4,542	1,783	5,001	-	13,368
MTNs	-	123,533	-	36,933	-	160,466
	2,042	128,075	1,783	41,934	-	173,834
Certificates	-	23	-	-	763,896	763,919
	379,087	523,428	927,704	1,246,030	763,896	3,840,145

As at 31 December 2018, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP Eur Cln Port 10/15.06.20 - Emtn 766	November, 2010	June, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	31,770
BCP Inv Banc Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to EuroStoxx Banks	1,000	566
Bcp Reemb Parc Eur Ações Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2nd quarter =3,9%; 3 nd semester=6,5%; 2nd year =3,25%; 3rd year=3,25%	268	260
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,237
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	698	664
Bcp Inv Eur Acoes Cup Extra Xi/17 Eur-Smtn Sr4	November, 2017	November, 2020	Indexada ao indice EuroStoxx 50	1,370	1,156
Bcp Rend Euro-Divid Autoccalable Xii Smtn Sr5	December, 2017	December, 2020	Indexada ao EuroStoxx Select Dividend 30	1,930	1,667
Bcp Euro Divid Cupao Memoria Iii18-Smtn Sr9	March, 2018	March, 2021	Indexada ao EuroStoxx Select Dividend 30	2,060	1,912
Bcp Rend Multi Set Europa Autocallable Smtn11	April, 2018	April, 2021	Indexada a um cabaz de 3 ações	1,230	1,222
Bcp Rend Ac Valor Globais Autocallable Smtn 12	April, 2018	April, 2021	Indice Stoxx Global Select Dividend 100	1,490	1,444
Millennium Cabaz 3 Acoes-Smtn Sr13	June, 2018	June, 2023	Indexada a um cabaz de 3 ações	90,281	88,636
Bcp Rend Cabaz Sectorial Autocallable-Smtn Sr15	June, 2018	June, 2021	Indexada a um cabaz de 3 ações	1,580	1,565
Bcp Inv Euro Acoes Cupao Lock In-Smtn Sr16	June, 2018	June, 2021	Indexada ao indice EuroStoxx 50	2,290	2,069
Bcp Tit Div Millennium Cabaz 3 Acoes-Smtn Sr17	July, 2018	July, 2023	Indexada a um cabaz de 3 ações	16,010	15,843
Bcp Ret Sect Europa Autcallable Vii18-Smtn Sr18	July, 2018	July, 2021	Indexada a um cabaz de 3 indices	1,270	1,262
Bcp Rend E Part Eur Autocall Viii 18 Eur Smtn Sr19	August, 2018	August, 2021	Indexed to 3 shares portfolio	1,000	841
Bcp Tit Div Millenn Cabaz 3Acoes-Smtn Sr20	September, 2018	September, 2023	Indexed to 3 shares portfolio	30,825	30,055
Bcp Rendimento Sectores Ix 18- Smtn 22	September, 2018	September, 2021	Indexed to EuroStoxx 50 index	1,070	1,050
Bcp Tit Div Millenn Cabaz 3 Acoes 18-Smtn Sr 21	October, 2018	October, 2023	Indexed to 3 shares portfolio	50,956	50,514
Cabaz Multi Sect Europ Autocall Xi18-Smtn 23	October, 2018	October, 2021	Indexed to 3 indexes	3,910	3,905
Rembol Parc Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx 50 index	1,560	1,548
Bcp Retorno Particip Div Autocallable-Smtn 24	November, 2018	November, 2021	Indexed to 3 shares portfolio	1,200	1,203
Bcp Performance Euro Divid-Smtn 27	November, 2018	November, 2021	Indexed to 3 indexes	1,400	1,291
Bcp Tit Divida MillennCabaz 3 Acoes-Smtn 25	December, 2018	December, 2023	Indexed to 3 shares portfolio	99,942	98,341
Bcp Rend Sect Europ Autocall Xii/18 Smtn Sr29	December, 2018	December, 2021	Indexed to 3 shares portfolio	1,070	1,079
					341,100
Accruals					806
					341,906

39. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Provision for guarantees and other commitments (note 21)	187,710	130,875
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	7,801	8,627
Life insurance	4,736	27,531
For participation in profit and loss	184	3,863
Other technical provisions	13,918	18,013
Other provisions for liabilities and charges	136,483	135,249
	350,832	324,158

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

(Thousands of euros)

	2018	2017
Balance on 1 January	130,875	128,056
Adjustments due to the implementation of IFRS 9 (note 59)	14,714	-
Transfers	(2,122)	-
Charge for the year (note 13)	86,255	18,537
Reversals for the year (note 13)	(41,802)	(15,953)
Exchange rate differences	(210)	235
Balance at the end of the year	187,710	130,875

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

(Thousands of euros)

	2018	2017
Balance on 1 January	135,249	131,506
Transfers resulting from changes in the Group's structure	-	3
Other transfers	733	(655)
Charge for the year (note 13)	13,537	16,463
Reversals for the year (note 13)	(301)	(2,337)
Amounts charged-off	(12,427)	(10,364)
Exchange rate differences	(308)	633
Balance at the end of the year	136,483	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 in order 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) (Euros 23,507,000), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 65,539,000 (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)

	2018	2017
Creditors:		
Associated companies	44	82
Suppliers	46,144	39,197
From factoring operations	26,323	24,937
For futures and options transactions	13,731	10,972
For direct insurance and reinsurance operations	3,614	6,056
Deposit account and other applications	75,453	56,467
Obligations not covered by the Group Pension Fund - amounts payable by the Group	13,431	21,281
Other creditors		
Residents	27,915	32,259
Non-residents	257,902	38,568
Holiday pay and subsidies	58,609	56,685
Interests and other amounts payable	46,685	19,821
Operations to be settled - foreign, transfers and deposits	277,452	333,205
Amounts payable on trading activity	10,603	1,441
Other administrative costs payable	5,194	3,527
Deferred income	71,329	67,009
Loans insurance received and to amortised	59,641	57,010
Public sector	35,791	35,631
Other liabilities	270,213	184,345
	1,300,074	988,493

The balance Obligations not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 6,363,000 (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 51.

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 31 December 2018, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 49, pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 December 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 31 December 2017, the balance preference shares amounted to Euros 59,910,000 and included 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. As referred in note 49, BCP Finance Company announced, in 2018, the early redemption of the referred Preference Shares at its nominal value plus any accrued and unpaid dividends.

These issues were 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 31 December 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.

As at 31 December 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	4,118,502,618	27.25%	27.25%
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 (**)	315,336,362	2.09%	2.09%
Total Qualified Shareholdings	7,892,521,406	52.22%	52.22%

(*) In accordance with the announcement on 5 March 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, or until the sum of the free reserves constituted and the retained earnings, if higher. 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 31 December 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
2018				
Net book value (Euros '000)	74		-	74
Number of securities	323,738	(*)		
Average book value (Euros)	0.23			
2017				
Net book value (Euros '000)	88		205	293
Number of securities	323,738	(*)		
Average book value (Euros)	0.27			

(*) As at 31 December 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, deducted to 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 31 December 2018, the Millenniumbcp Ageas Group owns 142,601,002 BCP shares (31 December 2017: 142,601,002 shares) in the amount of Euros 32,727,000 (31 December 2017: Euros 38,531,000), as referred in note 52.

44. Fair value reserves and reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(10,343)	n.a.
Equity instruments	(30,197)	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 other changes	25,675	29,199
Cash-flow hedge	105,705	12,985
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	4,151	n.a.
	94,991	96,018
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	7,988	n.a.
Equity instruments	1,880	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	(34,069)	(5,694)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(1,299)	n.a.
	(25,500)	(13,928)
	69,491	82,090
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(38,841)	(26,733)
BIM - Banco International de Moçambique, S.A.	(152,287)	(151,710)
Banco Millennium Atlântico, S.A.	(100,382)	(10,841)
Others	2,454	5,165
	(289,056)	(184,119)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	43,342	28,428
Others	(3,965)	(3,965)
	39,377	24,463
Other reserves and retained earnings	650,669	39,436
	470,481	(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 2018, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own 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 31 December 2018
Financial assets at fair value through other comprehensive income							
Debt instruments							
Portuguese public debt securities	-	(58,155)	25,299	(19,605)	(3,329)	(16,694)	(72,484)
Others	-	87,904	11,641	(9,113)	2,237	(30,528)	62,141
	-	29,749	36,940	(28,718)	(1,092)	(47,222)	(10,343)
Equity instruments	-	(67,149)	176	-	-	36,776	(30,197)
Financial assets available for sale							
Debt instruments							
Portuguese public debt securities	(57,774)	57,774	-	-	-	-	-
Others	85,101	(85,101)	-	-	-	-	-
	27,327	(27,327)	-	-	-	-	-
Equity instruments							
Visa Inc.	2,927	(2,927)	-	-	-	-	-
Others	26,629	(26,629)	-	-	-	-	-
	29,556	(29,556)	-	-	-	-	-
Financial assets held to maturity	(3,049)	3,049	-	-	-	-	-
Associated companies and others							
Millenniumbcp Ageas	25,032	-	(6,258)	-	-	-	18,774
Others	4,167	(843)	3,577	-	-	-	6,901
	29,199	(843)	(2,681)	-	-	-	25,675
	83,033	(92,077)	34,435	(28,718)	(1,092)	(10,446)	(14,865)

The negative amount of Euros 92,077,000 of adjustments due to the implementation of IFRS 9 corresponds, as described in note 59, to the impact arising from the adoption of IFRS in the balance Investments in associates and other changes due to changes in the classification of securities.

The Disposals regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income, corresponding in 2018 to a gain of Euros 47,220,000 and a loss of Euros 36,776,000, respectively.

The changes occurred in Fair value changes - Gross amount, 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
Financial assets available for sale						
Debt instruments						
Portuguese public debt securities	(295,433)	361,778	(68,400)	-	(55,719)	(57,774)
Others	33,526	113,458	1,212	20	(63,115)	85,101
	(261,907)	475,236	(67,188)	20	(118,834)	27,327
Equity instruments						
Visa Inc.	644	2,283	-	-	-	2,927
Others	27,464	(83,029)	-	63,401	18,793	26,629
	28,108	(80,746)	-	63,401	18,793	29,556
Financial assets held to maturity	(6,517)	3,468	-	-	-	(3,049)
Associated companies and others						
Millenniumbcp Ageas	(976)	26,008	-	-	-	25,032
Others	4,544	(377)	-	-	-	4,167
	3,568	25,631	-	-	-	29,199
	(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)

	2018	2017
Fair value changes		
Debt instruments	15,919	6,214
Equity instruments	2,938	850
Cash-flow hedge	(7,964)	(13,199)
Other	-	88
	10,893	(6,047)
Deferred taxes		
Debt instruments	(3,019)	(1,427)
Equity instruments	(558)	(161)
Cash-flow hedge	1,513	2,508
	(2,064)	920
	8,829	(5,127)
Exchange differences arising on consolidation	(113,417)	(87,009)
Actuarial losses (net of taxes)	248	256
Other reserves and retained earnings	1,287,773	1,190,801
	1,183,433	1,098,921

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2018	2017	2018	2017
Bank Millennium, S.A.	973,749	928,855	89,027	79,957
BIM - Banco International de Moçambique, SA (*)	160,776	137,958	33,340	29,187
Other subsidiaries	48,908	32,108	(4,558)	(5,978)
	1,183,433	1,098,921	117,809	103,166

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

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium, S.A.		BIM - Banco International de Moçambique, S.A.	
	2018	2017	2018	2017
Income statement				
Income	851,205	808,302	357,268	362,264
Net profit for the year	178,411	160,235	94,063	85,096
Net profit for the year attributable to the shareholders	89,384	80,278	62,726	56,747
Net profit for the year attributable to non-controlling interests	89,027	79,957	31,337	28,349
Other comprehensive income attributable to the shareholders	(15,200)	63,798	(519)	21,690
Other comprehensive income attributable to non-controlling interests	(15,139)	63,543	(260)	10,836
Total comprehensive income	148,072	287,576	93,284	117,622
Balance sheet				
Financial assets	18,457,170	16,813,129	1,955,494	1,792,696
Non-financial assets	268,047	222,482	183,010	157,792
Financial liabilities	(16,338,222)	(14,810,869)	(1,583,802)	(1,435,333)
Non-financial liabilities	(435,595)	(363,309)	(78,588)	(108,264)
Equity	1,951,400	1,861,433	476,114	406,891
Equity attributed to the shareholders	977,651	932,578	317,499	271,337
Equity attributed to the non-controlling interests	973,749	928,855	158,615	135,554
Cash flows arising from:				
operating activities	990,383	588,890	48,387	59,311
investing activities	(1,863,011)	139,015	(8,587)	(14,375)
financing activities	(32,172)	(3,154)	(18,217)	(49,442)
Net increase / (decrease) in cash and equivalents	(904,800)	724,751	21,583	(4,506)
Dividends paid during the year:				
attributed to the shareholders	-	-	17,192	14,717
attributed to the non-controlling interests	-	-	8,589	7,352
	-	-	25,781	22,069

46. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Guarantees granted		
Guarantees	4,306,184	3,913,735
Stand-by letter of credit	81,249	60,991
Open documentary credits	300,020	375,384
Bails and indemnities	139,345	191,613
	4,826,798	4,541,723
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	-	17,322
Irrevocable credit lines	3,267,453	3,400,460
Securities subscription	97,159	106,419
Other irrevocable commitments	114,829	111,605
Revocable commitments		
Revocable credit lines	4,077,379	4,027,811
Bank overdraft facilities	552,307	612,248
Other revocable commitments	109,535	50,679
	8,218,662	8,326,544
Guarantees received	24,061,727	26,084,077
Commitments from third parties	9,411,635	11,031,241
Securities and other items held for safekeeping	64,887,064	67,670,271
Securities and other items held under custody by the Securities Depository Authority	65,566,396	62,485,697
Other off balance sheet accounts	126,252,374	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. Assets under management and custody

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2018	2017
Banco Comercial Português, S.A.	2,140,906	1,920,244
Banque Privée BCP (Suisse) S.A.	1,134,734	1,245,136
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	760,104	777,054
Millennium TFI S.A.	982,632	1,187,568
	5,018,376	5,130,002

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody by the Group companies are analysed as follows:

(Thousands of euros)

	2018	2017
Assets under deposit	57,497,563	59,725,277
Wealth management	2,140,906	1,920,244
Real-estate investment funds	760,104	777,054
Investment funds	982,632	1,187,568
	61,381,205	63,610,143

48. 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 31 December 2018, these securities are booked in 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 Net assets value (NAV), 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 2018 and 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 December 2018, related to these operations are analysed as follows:

(Thousands of euros)

	2018			
	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)
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 (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

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

During 2018, it was liquidated the fund Vallis Construction Sector Fund.

The amounts accumulated as at 31 December 2017, related to these operations are analysed as follows:

(Thousands of euros)

	2017			
	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

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

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

(Thousands of euros)

	2018			
	Senior securities	Junior securities		
	Participation units * (note 23)	Capital supplies (note 31)	Capital supplementary contributions (note 31)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	86,669	-	33,280	119,949
Impairment and other fair value adjustments	(11,315)	-	(33,280)	(44,595)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	262,920	38,154	-	301,074
Impairment and other fair value adjustments	1,826	(38,154)	-	(36,328)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Discovery Real Estate Fund				
Gross value	152,938	-	-	152,938
Impairment and other fair value adjustments	1,001	-	-	1,001
	153,939	-	-	153,939
Fundo Vega FCR				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,285)
	42,160	-	-	42,160
Total Gross value	1,171,029	226,049	33,280	1,430,358
Total impairment and other fair value adjustments	(164,041)	(226,049)	(33,280)	(423,370)
	1,006,988	-	-	1,006,988

(*) 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 31 December 2018, corresponds to the NAV at that date. 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 2018 for 4 of the 7 funds and with reference to 31 December 2017 for 3 of the 7 funds (and Revision Report Limited with reference to 30 June 2018 for 1 of these 3 funds), 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)

	2017				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 31)	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

As at 31 December 2018, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	101,133	86,419	14,714
FLIT-PTREL	262,231	262,231	-
Fundo Recuperação FCR	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952
Discovery Real Estate Fund	153,243	153,243	-
Fundo Vega FCR	49,616	46,233	3,383
	1,239,641	1,168,932	70,709

The amount of subscribed capital does not include additional subscription commitments, which amount to Euros 19,596,000 in FLIT-PTREL, Euros 6,854,000 in Discovery.

Additionally are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2018	2017
Loans and advances to customers	282,480	271,997
Guarantees granted and irrevocable credit lines	55,089	34,114
Gross exposure	337,569	306,111
Impairment	(85,884)	(75,571)
Net exposure	251,685	230,540

49. Relevant events occurred during 2018

Resolutions of the General Meeting of November 2018

On 5 November 2018, 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 Euros 875,738,053.72, 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.

Reduction of share capital of Banco Comercial Português, S.A.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced to Euros 4,725,000000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

Acquisition of Euro Bank, S.A. in Poland by its subsidiary Bank Millennium

On 5 November 2018, the subsidiary Bank Millennium announced 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 (Euros 428 million), implying a 1.20x Price Book Value (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 Bcp Group 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. At the beginning of 2019, the Polish competition authority approved the purchase of Euro Bank S.A. by Bank Millennium, S.A ..

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 took place in 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.

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 dividend dates, i.e., 15 October 2018 and 10 December 2018, respectively.

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.

50. 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 31 December 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 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) 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 31 December 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:

	2018			
	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	0.45%	2.75%	0.44%	0.01%
AUD	n.a.	n.a.	n.a.	2.34%
CAD	n.a.	n.a.	n.a.	2.31%
CHF	n.a.	2.63%	-0.11%	-0.42%
CNY	n.a.	n.a.	n.a.	2.79%
DKK	n.a.	n.a.	n.a.	-0.14%
GBP	n.a.	3.64%	n.a.	1.05%
HKD	n.a.	2.29%	n.a.	1.98%
MOP	n.a.	n.a.	n.a.	2.14%
MZN	n.a.	19.82%	n.a.	12.03%
NOK	n.a.	n.a.	n.a.	1.57%
PLN	1.36%	5.47%	1.72%	1.61%
SEK	n.a.	n.a.	n.a.	0.17%
USD	2.90%	5.36%	2.76%	2.56%
ZAR	6.80%	16.18%	n.a.	4.93%

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:

	2017			
	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 and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income (IFRS 9) 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 (IFRS 9)

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 remunerated 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, when applicable. 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:

	2018			2017	
	EUR	PLN	USD	EUR	PLN
Placed in the institutional market					
Subordinated	6.92%	0.00%	-	6.42%	-
Senior (including mortgage)	0.05%	2.22%	0.00%	0.13%	2.45%
Placed in retail					
Subordinated	2.64%	0.00%	-	2.01%	-
Senior and collateralised	0.36%	2.35%	3.30%	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 9,663,000 (31 December 2017: a negative amount of Euros 14,199,000) and includes a payable amount of Euros 7,424,000 (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 (note 23 and 37).

As at 31 December 2018 and 2017, 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:

	2018			
	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	2.75%	0.75%	1.44%
7 days	-0.40%	2.55%	0.78%	1.44%
1 month	-0.41%	2.57%	0.80%	1.54%
2 months	-0.38%	2.61%	0.85%	1.58%
3 months	-0.36%	2.72%	0.96%	1.62%
6 months	-0.29%	2.81%	1.08%	1.69%
9 months	-0.23%	2.88%	1.18%	1.72%
1 year	-0.23%	2.74%	1.29%	1.74%
2 years	-0.18%	2.65%	1.16%	1.82%
3 years	-0.07%	2.58%	1.22%	1.91%
5 years	0.20%	2.57%	1.30%	2.12%
7 years	0.47%	2.62%	1.36%	2.29%
10 years	0.82%	2.70%	1.43%	2.48%
15 years	1.17%	2.79%	1.51%	2.75%
20 years	1.35%	2.82%	1.55%	2.88%
30 years	1.41%	2.81%	1.54%	2.88%

	2017			
	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	1.42%	0.47%	1.47%
7 days	-0.43%	1.50%	0.51%	1.47%
1 month	-0.42%	1.63%	0.50%	1.55%
2 months	-0.39%	1.65%	0.56%	1.58%
3 months	-0.38%	1.70%	0.61%	1.62%
6 months	-0.32%	1.83%	0.72%	1.71%
9 months	-0.27%	1.90%	0.81%	1.72%
1 year	-0.26%	1.88%	0.88%	1.80%
2 years	-0.15%	2.06%	0.78%	2.03%
3 years	0.01%	2.15%	0.89%	2.22%
5 years	0.31%	2.23%	1.03%	2.50%
7 years	0.57%	2.30%	1.14%	2.70%
10 years	0.89%	2.38%	1.27%	2.94%
15 years	1.25%	2.47%	1.41%	3.25%
20 years	1.42%	2.51%	1.46%	3.37%
30 years	1.50%	2.52%	1.43%	3.37%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2018:

(Thousands of euros)

	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	-	-	2,753,839	2,753,839	2,753,839
Loans and advances to credit institutions repayable on demand	-	-	326,707	326,707	326,707
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	890,033	890,033	889,441
Loans and advances to customers (i)	-	-	45,560,926	45,560,926	45,128,921
Debt instruments	-	-	3,375,014	3,375,014	3,381,178
Financial assets at fair value through profit or loss					
Financial assets held for trading	870,454	-	-	870,454	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	-	1,404,684	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034	33,034
Financial assets at fair value through other comprehensive income	-	13,845,625	-	13,845,625	13,845,625
Assets with repurchase agreement	-	-	58,252	58,252	58,259
Hedging derivatives (ii)	123,054	-	-	123,054	123,054
	2,431,226	13,845,625	52,964,771	69,241,622	68,815,196
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,752,796	7,752,796	7,716,281
Resources from customers (i)	-	-	52,664,687	52,664,687	52,675,638
Non subordinated debt securities issued (i)	-	-	1,686,087	1,686,087	1,676,424
Subordinated debt (i)	-	-	1,072,105	1,072,105	1,126,038
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	327,008	-	-	327,008	327,008
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	177,900	-	-	177,900	177,900
	4,108,555	-	63,175,675	67,284,230	67,302,936

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised 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)

	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 recognised 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 31 December 2018:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,753,839	-	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	-	326,707
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	889,441	889,441
Loans and advances to customers	-	-	45,128,921	45,128,921
Debt instruments	122,601	677,298	2,581,279	3,381,178
Financial assets at fair value through profit or loss				
Financial assets held for trading	214,531	347,770	308,153	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,404,684	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034
Financial assets at fair value through other comprehensive income	12,986,573	831,266	27,786	13,845,625
Assets with repurchase agreement	-	-	58,259	58,259
Hedging derivatives	-	123,054	-	123,054
	16,437,285	1,979,388	50,398,523	68,815,196
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,716,281	7,716,281
Resources from customers	-	-	52,675,638	52,675,638
Non subordinated debt securities issued	-	-	1,676,424	1,676,424
Subordinated debt	-	-	1,126,038	1,126,038
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	266	289,039	37,703	327,008
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	177,900	-	177,900
	678,458	466,939	66,157,539	67,302,936

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)

	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

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2018 is presented as follows:

(Thousands of euros)

	2018				
	Financial assets				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Available for sale	Financial liabilities held for trading (*)
Balance as at 31 December 2017	305,451	-	-	1,300,626	10,925
Impact of transition to IFRS 9	-	1,381,734	29,509	(1,300,626)	-
Balance as at 1 January	305,451	1,381,734	29,509	-	10,925
Gains / (losses) recognised in profit or loss					
Results on financial operations	2,121	(12,175)	-	-	(1,924)
Net interest income	-	23,128	-	-	-
Transfers between portfolios	(3)	-	3	-	-
Transfers between levels	(3,113)	-	-	-	(265)
Purchases	12,044	28,824	3,848	-	397
Sales, repayments or amortisations	(8,347)	(9,451)	(9,149)	-	(233)
Gains / (losses) recognised in reserves	-	-	3,641	-	-
Exchange differences	-	(7,376)	(66)	-	-
Balance as at 31 December	308,153	1,404,684	27,786	-	8,900

(*) Do not include short sales, which at 31 December 2018 amounts to Euros 28,803,000 (note 37).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2017 is presented as follows:

(Thousands of euros)

	2017		
	Financial assets		
	Held for trading	Available for sale	Financial liabilities held for trading
Balance as at 1 January	614,220	1,296,171	63,816
Gains / (losses) recognised in profit or loss			
Results on financial operations	43,980	2,823	30
Net interest income	-	1,859	-
Impairment and other provisions	-	(63,150)	-
Transfers from investments in associated companies	-	1,536	-
Transfers between levels	(346,406)	-	(55,695)
Purchases	5,308	276,822	10,825
Sales, repayments or amortisations	(11,651)	(227,509)	(8,051)
Gains / (losses) recognised in reserves	-	6,289	-
Exchange differences	-	4,902	-
Accruals of interest	-	883	-
Balance as at 31 December	305,451	1,300,626	10,925

51. 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 31 December 2018 and 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:

Number of participants	2018	2017
Pensioners	16,829	16,711
Former Attendees Acquired Rights	3,300	3,375
Employees	7,255	7,368
	27,384	27,454

In accordance with the accounting policy described in note 1 S), the Group's retirement pension liabilities and other benefits and the respective coverage as at 31 December 2018 and 2017, based on the Projected Unit Credit method are analysed as follows:

(Thousands of euros)

	2018	2017
Actual amount of the past services		
Pensioners	2,048,284	1,993,181
Former attendees acquired rights	193,995	206,687
Employees	823,444	849,702
	3,065,723	3,049,570
Pension fund value	(3,078,430)	(3,166,351)
Net (assets) / liabilities in balance sheet (notes 32)	(12,707)	(116,781)
Accumulated actuarial losses and changing assumptions		
effect recognised in Other comprehensive income	3,289,529	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 under the scope of the fund is called an Additional Complement, which as at 31 December 2018 amounts to Euros 284,923,000 (31 December 2017: Euros 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)

	2018	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	(15,800)	(16,391)	-	(16,391)
Interest cost / (income)	62,991	57,548	6,390	63,938
Actuarial losses / (gains)				
Not related to changes in actuarial assumptions	43,549	26,082	(2,336)	23,746
Payments	(102,024)	(79,847)	(16,759)	(96,606)
Early retirement programmes and terminations by mutual agreement	19,303	13,957	-	13,957
Contributions of employees	8,134	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 year	3,065,723	3,049,570	-	3,049,570

As at 31 December 2018, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 102,024,000. 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 300,550,000 as at 31 December 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 31 December 2018 amounts to Euros 62,677,000 (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 Collective Labour Agreement (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". "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA only formalized 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 registered in 2017 arising from the changes amounted to Euros 44,853,000 (of which Euros 4,856,000 do not correspond to benefits post-employment). The new CLA have 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 2018 and 2017, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2018	2017
Balance as at 1 January	3,166,351	3,124,330
Employees' contributions	8,134	8,274
Actuarial gains / (losses)	(54,373)	52,740
Payments	(102,024)	(79,847)
Expected return on plan assets	59,962	59,402
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	380	1,452
Balance at the end of the year	3,078,430	3,166,351

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2018			2017		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	280,208	102,992	383,200	278,231	95,757	373,988
Bonds and other fixed income securities	1,054,637	4,193	1,058,830	1,058,953	4,922	1,063,875
Participations units in investment funds	-	752,628	752,628	-	808,873	808,873
Participation units in real estate funds	-	276,144	276,144	-	264,025	264,025
Properties	-	245,392	245,392	-	254,317	254,317
Loans and advances to credit institutions and others	-	362,236	362,236	-	401,273	401,273
	1,334,845	1,743,585	3,078,430	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 31 December 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 31 December 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 31 December 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)

	2018	2017
Loans and advances to credit institutions and others	275,429	326,562
Fixed income securities	12,209	41
	287,638	326,603

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2018	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	(15,800)	(16,391)
Interest cost / (income) net of the balance liabilities coverage	3,030	4,536
Cost with early retirement programs	19,303	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,452)
	6,153	(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	54,372	(52,740)
Difference between expected and effective obligations	43,549	23,746
	97,921	(28,994)
Payments related to Extra-Fund	-	(16,759)
Balance at the end of the year	(12,707)	(116,781)

The estimated contributions to be made in 2019, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 10,398,000 and Euros 7,977,000, respectively.

In accordance with IAS 19, during 2018, the Group accounted post-employment benefits as a gain in the amount of Euros 6,153,000 (2017: gain of Euros 39,347,000), which is analysed as follows:

(Thousands of euros)

	2018	2017
Current service cost	(15,800)	(16,391)
Net interest cost in the liability coverage balance	3,030	4,536
Cost with early retirement programs	19,303	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,452)
Changes occurred in the Collective Labour Agreement	-	(39,997)
(Income) / Cost of the year	6,153	(39,347)

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 / CLA 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 recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, 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 as at 31 December 2018 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)

	2018	2017
Balance as at 1 January	3,733	3,837
Reversal	-	(104)
Balance at the end of the year	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:

	2018	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 31 December 2018 and 2017, the Group used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2018, the Actuarial losses amount to Euros 97,921,000 (31 December 2017: actuarial gains 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			
	2018		2017	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		43,549		23,746
Deviation between expected income and income from funds	0.18%	54,372	4.16%	(52,740)
		97,921		(28,994)

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			
	2018		2017	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	125,693	(121,218)	132,021	(124,057)
Pension's increase rate	(132,092)	141,376	(129,840)	122,024
Salary growth rate	(26,101)	43,592	(35,094)	37,265

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2018		2017	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	97,169	(103,574)	97,661	(98,209)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy

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 2018 and 2017, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (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 81,000 (31 December 2017: Euros 62,000) related to this contribution.

52. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 60 - 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) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2018	2017
Assets		
Financial assets at amortised cost		
Loans and advances to customers	101,350	62,822
Debt instruments	150,614	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	6,102	11,704
Financial assets at fair value through other comprehensive income	32,968	n.a.
Financial assets available for sale	n.a.	61,356
Others	53	-
	291,087	286,496
Liabilities		
Resources from customers	162,665	282,970
	162,665	282,970

Loans and advances to customers are net of impairment in the amount of Euros 744,000 (31 December 2017: Euro 77,000).

During 2018 and 2017, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2018	2017
Income		
Interest and similar income	10,858	7,188
Commissions	6,834	5,880
	17,692	13,068
Costs		
Interest and similar expenses	116	807
Commissions	124	256
	240	1,063

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2018	2017
Guarantees granted	100,329	39,164
Revocable credit lines	56,670	242,565
Irrevocable credit lines	150,121	121
	307,120	281,850

B) Balances and 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	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	7	24	-	-
Executive Committee	114	124	-	-
Closely related people	301	13	-	-
Controlled entities	-	-	-	22
Key management members				
Key management members	6,155	6,611	-	-
Closely related people	629	480	-	-
Controlled entities	17	78	-	-
	7,223	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	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	-	-	5,915	556
Executive Committee	-	-	868	2,664
Closely related people	-	-	322	1,844
Controlled entities	-	14,838	30	459
Key management members				
Key management members	-	-	6,133	7,134
Closely related people	-	-	2,353	1,680
Controlled entities	-	-	1,818	1,728
	-	14,838	17,439	16,065

During 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	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	-	-	16	78
Executive Committee	-	-	12	28
Closely related people	-	1	5	15
Controlled entities	-	-	-	148
Key management members				
Key management members	43	46	46	64
Closely related people	9	8	28	36
Controlled entities	-	3	9	10
	52	58	116	379

During 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	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	71	3	2	2
Executive Committee	-	2	-	1
Closely related people	-	4	-	1
Controlled entities	-	63	-	-
Key management members				
Key management members	26	38	2	2
Closely related people	3	5	1	1
Controlled entities	1	2	2	2
	101	117	7	9

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	
	2018	2017	2018	2017	2018	2017
Board of Directors						
Non-executive directors	-	98	22	83	-	-
Executive Committee	-	-	70	105	-	-
Closely related people	-	-	39	104	-	-
Controlled entities	-	-	-	25	-	-
Key management members						
Key management members	-	-	429	393	50	8
Closely related people	-	-	163	153	24	-
Controlled entities	-	-	14	16	-	-
	-	98	737	879	74	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	
	2018	2017	2018	2017	2018	2017
Remunerations	3,720	3,779	1,215	786	6,406	6,651
Supplementary retirement pension	5,658	776	-	-	-	-
Post-employment benefits	(5)	19	-	-	(120)	(18)
Other mandatory social security charges	895	887	291	189	1,582	1,648
	10,268	5,461	1,506	975	7,868	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 85,000 (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 2018 no severance payments were made to key management members. During 2017, were paid Euros 150,000 of severance payments to one key management member.

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.

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, the movements occurred during 2018, is as follows:

Shareholders / Bondholders	Security	Number of securities at 31/12/2018	Number of securities at 31/12/2017	Acquisitions	Disposals	Date	Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184				
João Nuno Oliveira Jorge Palma	BCP Shares	32,695	32,695				
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	n/a				
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,748	1,748				
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	0	0				
Miguel de Campos Pereira de Bragança	BCP Shares	365,968	365,968				
Miguel Maya Dias Pinheiro	BCP Shares	361,408	361,408				
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
Rui Manuel da Silva Teixeira (3)	BCP Shares	36,336	36,336				
Teófilo César Ferreira da Fonseca (4)	BCP Shares	10,000	0	10,000		29-Nov-18	0.240
Valter Rui Dias de Barros	BCP Shares	0	0				
Wan Sin Long	BCP Shares	0	0				
Xiao Xu Gu	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	2,000	0	2,000		6-Dec-18	0.245
Américo João Pinto Carola (5)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (6)	BCP Shares	39,040	39,040				
Ana Maria Jordão F. Torres Marques Tavares (7)	BCP Shares	82,635	82,635				
André Cardoso Meneses Navarro	BCP Shares	267,888	267,888				
António Augusto Amaral de Medeiros	BCP Shares	42,656	42,656				
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (8)	BCP Shares	113,000	113,000				
Artur Frederico Silva Luna Pais	BCP Shares	328,795	328,795				
Belmira Abreu Cabral	BCP Shares	0	0				
Carlos Alberto Alves	BCP Shares	106,656	106,656				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (9)	BCP Shares	29,354	29,354				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	48				
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500	500				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	1,600				
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
José Gonçalo Prior Regalado (10)	BCP Shares	0	0				

n/a - not available

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

Shareholders / Bondholders	Security	Number of securities at 31/12/2018	31/12/2017	Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	138,719				
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	21,328				
Maria Manuela de Araujo Mesquita Reis (11)	BCP Shares	106,656	106,656				
Maria Rita Sítima Fonseca Lourenço	BCP Shares	42,385	42,385				
Mário António Pinho Gaspar Neves	BCP Shares	30,000	30,000				
Mário Madeira Robalo Fernandes	BCP Shares	0	0				
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	30,600	30,600				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	14,816				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,613	10,613				
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	8,204	8,204				
Rui Emanuel Agapito Silva	BCP Shares	0	0				
Rui Fernando da Silva Teixeira	BCP Shares	12,614	12,614				
Rui Manuel Pereira Pedro	BCP Shares	149,328	149,328				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Américo Simões Regalado (10)	BCP Shares	880	880				
Ana Isabel Salgueiro Antunes (5)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (8)	BCP Shares	2,976	2,976				
António da Silva Bandeira (8)	BCP Shares	20,000	20,000				
Francisco Jordão Torres Marques Tavares (7)	BCP Shares	1,016	1,016				
José Francisco Conceição Monteiro (9)	BCP Shares	18,002	18,002				
José Manuel de Vasconcelos Mendes Ferreira (6)	BCP Shares	1,616	1,616				
Luís Filipe da Silva Reis (11)	BCP Shares	280,000	336,000		56,000	21-Dec-18	0.233
Maria Avelina V C L J Teixeira Diniz (7)	BCP Shares	16,770	16,770				
Maria Eugénia Pinto Tavares da Fonseca (4)	BCP Shares	37	37				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2)	BCP Shares	96,240	96,240				
Ricardo Miranda Monteiro (9)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (9)	BCP Shares	1,639	1,639				

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

c) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

(Thousands of euros)

	2018	2017
Assets		
Loans and advances to credit institutions repayable on demand	5	1,803
Financial assets at amortised cost		
Loans and advances to credit institutions	293,553	316,630
Loans and advances to customers	65,577	63,907
Debt instruments	950	1,851
Financial assets at fair value through profit or loss		
Financial assets held for trading	107,843	91,099
Other assets	14,579	12,868
	482,507	488,158
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	189,106	207,073
Resources from customers	541,422	539,788
Non subordinated debt securities issued	132,911	334,720
Subordinated debt	474,873	480,426
Financial liabilities held for trading	27,275	40,323
Financial liabilities designated at fair value through profit or loss	31,995	138,471
Other liabilities	3	15
	1,397,585	1,740,816

As at 31 December 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 32,727,000 (31 December 2017: Euros 38,531,000).

During 2018 and 2017, the transactions with associated companies included in the consolidated income statement items, are as follows:

(Thousands of euros)

	2018	2017
Income		
Interest and similar income	14,438	12,356
Commissions	58,026	56,679
Other operating income	1,378	1,188
	73,842	70,223
Costs		
Interest and similar expenses	47,830	52,760
Commissions	38	50
Other operating losses	862	-
Other administrative costs	95	12
	48,825	52,822

The guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

(Thousands of euros)

	2018	2017
Guarantees granted	21,325	8,288
Revocable credit lines	9,862	863
Irrevocable credit lines	14,011	-
Other revocable commitments	4,906	-
	50,104	9,151

Under the scope of the Group's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2018	2017
Life insurance		
Saving products	33,715	32,914
Mortgage and consumer loans	19,158	18,695
Others	24	31
	52,897	53,657
Non - Life insurance		
Accidents and health	17,298	16,035
Motor	3,705	3,411
Multi-Risk Housing	6,433	5,985
Others	1,197	1,037
	28,633	26,468
	81,530	80,125

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)

	2018	2017
Funds receivable for payment of life insurance commissions	14,545	12,713
Funds receivable for payment of non-life insurance commissions	7,292	6,658
	21,837	19,371

The commissions received 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)

	2018	2017
Assets		
Other assets	58	-
Liabilities		
Resources from customers	279,851	326,562
Subordinated debt	14,340	41
	294,191	326,603

During 2018 and 2017, there were no transactions of financial assets between the Group and the Pension Fund.

During 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)

	2018	2017
Income		
Commissions	564	821
Expenses		
Interest expense and similar charges	89	2,271
Other administrative costs	15,028	19,018
	15,117	21,289

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 31 December 2018, the amount of Guarantees granted by the Group to the Pension Fund amounted to Euros 5,000 (31 December 2017: Euros 5,000).

53. 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, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than 2.5 million euros. The Retail network 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, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than 2.5 million euros, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), 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, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the 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 1 million euros);
- Specialized Credit and Real Estate Division, which ensures integrated and specialized management of real estate business of the Group. Regarding credit for real estate development, it ensures the economic viability of real estate and tourist projects. In the area of specialized credit for Factoring and Confirming products, it ensures the operational management of contracts and collections and in the real estate sector ensures the sustainability and quick return of these assets to the market.
- 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 and the provision of advisory services and the asset management activity provided by the Wealth Management Division. 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 31 December 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 31 December 2018 and 31 December 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 31 December 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 31 December 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	460,036	886,236	1,346,272	343,043	30,273	170,151	1,889,739
Interest expense and similar charges	(38,012)	(278,030)	(316,042)	(62,663)	(11,313)	(76,090)	(466,108)
Net interest income	422,024	608,206	1,030,230	280,380	18,960	94,061	1,423,631
Commissions and other income	411,761	255,775	667,536	171,552	56,691	5,282	901,061
Commissions and other costs	(41,145)	(137,664)	(178,809)	(27,574)	(7,233)	(130,191)	(343,807)
Net commissions and other income	370,616	118,111	488,727	143,978	49,458	(124,909)	557,254
Net gains arising from financial operations (2)	16,079	62,487	78,566	436	4,207	(4,661)	78,548
Share of profit of associates under the equity method	-	34,060	34,060	-	-	55,115	89,175
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	10,774	10,773	12	-	27,131	37,916
Net operating revenue	808,718	833,638	1,642,356	424,806	72,625	46,737	2,186,524
Operating expenses	467,085	361,500	828,585	127,328	41,912	29,388	1,027,213
Impairment for credit and financial assets (3)	(11,976)	(75,538)	(87,514)	(453,636)	329	76,445	(464,376)
Other impairments and provisions (4)	(9)	(14,680)	(14,689)	(8)	1	(122,030)	(136,726)
Net income / (loss) before income tax	329,648	381,920	711,568	(156,166)	31,043	(28,236)	558,209
Income tax	(102,261)	(85,096)	(187,357)	50,036	(8,461)	7,765	(138,017)
Income / (loss) after income tax from continuing operations	227,387	296,824	524,211	(106,130)	22,582	(20,471)	420,192
Income / (loss) arising from discontinued operations	-	-	-	-	-	(1,318)	(1,318)
Net income / (loss) for the year	227,387	296,824	524,211	(106,130)	22,582	(21,789)	418,874
Non-controlling interests	-	(122,366)	(122,366)	-	-	4,557	(117,809)
Net income / (loss) for the year attributable to Bank's Shareholders	227,387	174,458	401,845	(106,130)	22,582	(17,232)	301,065
BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,676,928	1,280,716	9,957,644	218,221	2,513,580	(8,718,866)	3,970,579
Loans and advances to customers (5)	21,257,724	12,977,414	34,235,138	13,092,522	573,712	221,924	48,123,296
Financial assets (6)	20,838	6,148,434	6,169,272	-	1,481	10,976,994	17,147,747
Other assets	187,135	596,699	783,834	49,580	15,569	5,832,444	6,681,427
Total Assets	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Resources from other credit institutions (7)	913,040	1,700,259	2,613,299	4,310,909	358,109	470,479	7,752,796
Resources from customers (8)	27,168,263	16,988,098	44,156,361	7,883,217	2,577,072	631,586	55,248,236
Debt securities issued (9)	1,018,395	188,446	1,206,841	769	54,691	1,443,884	2,706,185
Other financial liabilities (10)	-	140,645	140,645	-	1,428	1,434,940	1,577,013
Other liabilities	38,566	514,180	552,746	60,772	10,559	1,050,836	1,674,913
Total Liabilities	29,138,264	19,531,628	48,669,892	12,255,667	3,001,859	5,031,725	68,959,143
Equity and non-controlling interests	1,004,361	1,471,635	2,475,996	1,104,656	102,483	3,280,771	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Number of employees	4,637	8,751	13,388	725	226	1,590	15,929
Public subsidies received	-	-	-	-	-	-	-

(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);
(9) Includes non-subordinated debt securities at amortised 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 31 December 2017, the net contribution of the major operational segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking	Private		
	Retail in Portugal	Foreign business (1)	Total	in Portugal	banking	Other	Consolidated
INCOME STATEMENT							
Interest and similar income	473,858	845,166	1,319,024	385,446	38,514	171,226	1,914,210
Interest expense and similar charges	(63,530)	(279,494)	(343,024)	(104,088)	(14,195)	(61,628)	(522,935)
Net interest income	410,328	565,672	976,000	281,358	24,319	109,598	1,391,275
Commissions and other income	376,220	257,572	633,792	166,721	53,540	11,528	865,581
Commissions and other costs	(34,097)	(126,363)	(160,460)	(26,129)	(6,703)	(110,232)	(303,524)
Net commissions and other income	342,123	131,209	473,332	140,592	46,837	(98,704)	562,057
Net gains arising from trading activity	17,529	81,507	99,036	462	(18,057)	66,935	148,376
Share of profit of associates under the equity method	-	39,844	39,844	-	-	51,793	91,637
Gains / (losses) arising from the sale of subsidiaries and other assets	(141)	4,135	3,994	-	-	145	4,139
Net operating revenue	769,839	822,367	1,592,206	422,412	53,099	129,767	2,197,484
Operating expenses	469,577	343,143	812,720	116,961	38,682	(14,182)	954,181
Impairment for credit and financial assets	(58,436)	(88,628)	(147,064)	(438,072)	(5,602)	(96,391)	(687,129)
Other impairments and provisions	(45)	(47,298)	(47,343)	140	-	(190,480)	(237,683)
Net income / (loss) before income tax	241,781	343,298	585,079	(132,481)	8,815	(142,922)	318,491
Income tax	(70,666)	(82,597)	(153,263)	40,302	(8,087)	90,889	(30,159)
Income / (loss) after income tax from continuing operations	171,115	260,701	431,816	(92,179)	728	(52,033)	288,332
Income / (loss) arising from discontinued operations	-	-	-	-	-	1,225	1,225
Net income / (loss) for the year	171,115	260,701	431,816	(92,179)	728	(50,808)	289,557
Non-controlling interests	-	(109,144)	(109,144)	-	-	5,978	(103,166)
Net income / (loss) for the year attributable to Bank's Shareholders	171,115	151,557	322,672	(92,179)	728	(44,830)	186,391
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
Public subsidies received	-	-	-	-	-	-	-

(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 31 December 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	460,036	343,043	17,732	170,151	990,962	600,899	285,337	12,541	1,889,739
Interest expense and similar charges	(38,012)	(62,663)	(6,486)	(76,090)	(183,251)	(175,176)	(102,506)	(5,175)	(466,108)
Net interest income	422,024	280,380	11,246	94,061	807,711	425,723	182,831	7,366	1,423,631
Commissions and other income	411,761	171,552	27,674	5,282	616,269	200,753	55,022	29,017	901,061
Commissions and other costs	(41,145)	(27,574)	(1,584)	(130,191)	(200,494)	(123,173)	(14,490)	(5,650)	(343,807)
Net commissions and other income	370,616	143,978	26,090	(124,909)	415,775	77,580	40,532	23,367	557,254
Net gains arising from financial operations (2)	16,079	436	418	(4,661)	12,272	52,980	9,506	3,790	78,548
Share of profit of associates under the equity method	-	-	-	55,115	55,115	-	-	34,060	89,175
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	12	-	27,131	27,142	2,692	8,082	-	37,916
Net operating revenue	808,718	424,806	37,754	46,737	1,318,015	558,975	240,951	68,583	2,186,524
Operating expenses	467,085	127,328	17,405	29,388	641,206	270,149	91,350	24,508	1,027,213
Impairment for credit and financial assets (3)	(11,976)	(453,636)	82	76,445	(389,085)	(45,959)	(34,140)	4,808	(464,376)
Other impairments and provisions (4)	(9)	(8)	-	(122,030)	(122,047)	(3,112)	1,055	(12,622)	(136,726)
Net income / (loss) before income tax	329,648	(156,166)	20,431	(28,236)	165,677	239,755	116,516	36,261	558,209
Income tax	(102,261)	50,036	(6,436)	7,765	(50,896)	(61,803)	(21,944)	(3,374)	(138,017)
Income / (loss) after income tax from continuing operations	227,387	(106,130)	13,995	(20,471)	114,781	177,952	94,572	32,887	420,192
Income / (loss) arising from discontinued operations	-	-	-	(1,318)	(1,318)	-	-	-	(1,318)
Net income / (loss) for the year	227,387	(106,130)	13,995	(21,789)	113,463	177,952	94,572	32,887	418,874
Non-controlling interests	-	-	-	4,557	4,557	(88,798)	(32,153)	(1,415)	(117,809)
Net income / (loss) for the year attributable to Bank's Shareholders	227,387	(106,130)	13,995	(17,232)	118,020	89,154	62,419	31,472	301,065
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,676,928	218,221	1,869,029	(8,718,866)	2,045,312	740,447	540,268	644,552	3,970,579
Loans and advances to customers (5)	21,257,724	13,092,522	231,839	221,924	34,804,009	12,268,269	711,562	339,456	48,123,296
Financial assets (6)	20,838	-	-	10,976,994	10,997,832	5,448,454	699,980	1,481	17,147,747
Other assets	187,135	49,580	12,163	5,832,444	6,081,322	268,046	186,692	145,367	6,681,427
Total Assets	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Resources from other institutions (7)	913,040	4,310,909	-	470,479	5,694,428	1,521,257	137,064	400,047	7,752,796
Resources from customers (8)	27,168,263	7,883,217	1,998,106	631,586	37,681,172	15,417,499	1,570,599	578,966	55,248,236
Debt securities issued (9)	1,018,395	769	54,691	1,443,884	2,517,739	188,446	-	-	2,706,185
Other financial liabilities (10)	-	-	-	1,434,940	1,434,940	140,645	-	1,428	1,577,013
Other liabilities	38,566	60,772	1,018	1,050,836	1,151,192	435,594	78,586	9,541	1,674,913
Total Liabilities	29,138,264	12,255,667	2,053,815	5,031,725	48,479,471	17,703,441	1,786,249	989,982	68,959,143
Equity and non-controlling interests	1,004,361	1,104,656	59,216	3,280,771	5,449,004	1,021,775	352,253	140,874	6,963,906
Total Liabilities, Equity and non-controlling interests	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Number of employees	4,637	725	143	1,590	7,095	6,132	2,619	83	15,929
Public subsidies received	-	-	-	-	-	-	-	-	-

(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);
(9) Includes non-subordinated debt securities at amortised 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 31 December 2017, 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	473,858	385,446	23,906	171,226	1,054,436	564,267	289,045	6,462	1,914,210
Interest expense and similar charges	(63,530)	(104,088)	(7,410)	(61,628)	(236,656)	(170,858)	(116,146)	725	(522,935)
Net interest income	410,328	281,358	16,496	109,598	817,780	393,409	172,899	7,187	1,391,275
Commissions and other costs	376,220	166,721	24,067	11,528	578,536	198,348	59,225	29,472	865,581
Commissions and other costs	(34,097)	(26,129)	(1,472)	(110,232)	(171,930)	(106,983)	(19,380)	(5,231)	(303,524)
Net commissions and other income	342,123	140,592	22,595	(98,704)	406,606	91,365	39,845	24,241	562,057
Net gains arising from trading activity	17,529	462	457	66,935	85,383	51,044	10,808	1,141	148,376
Share of profit of associates under the equity method	-	-	-	51,793	51,793	-	-	39,844	91,637
Gains / (losses) arising from the sale of subsidiaries and other assets	(141)	-	-	145	4	3,891	243	1	4,139
Net operating revenue	769,839	422,412	39,548	129,767	1,361,566	539,709	223,795	72,414	2,197,484
Operating expenses	469,577	116,961	15,250	(14,182)	587,606	258,205	84,938	23,432	954,181
Impairment for credit and financial assets	(58,436)	(438,072)	(3,638)	(96,391)	(596,537)	(60,681)	(27,947)	(1,964)	(687,129)
Other impairments and provisions	(45)	140	-	(190,480)	(190,385)	(8,822)	1,276	(39,752)	(237,683)
Net income / (loss) before income tax	241,781	(132,481)	20,660	(142,922)	(12,962)	212,001	112,186	7,266	318,491
Income tax	(70,666)	40,302	(6,095)	90,889	54,430	(56,323)	(26,462)	(1,804)	(30,159)
Income / (loss) after income tax from continuing operations	171,115	(92,179)	14,565	(52,033)	41,468	155,678	85,724	5,462	288,332
Income / (loss) arising from discontinued operations	-	-	-	1,225	1,225	-	-	-	1,225
Net income / (loss) for the year	171,115	(92,179)	14,565	(50,808)	42,693	155,678	85,724	5,462	289,557
Non-controlling interests	-	-	-	5,978	5,978	(77,683)	(29,117)	(2,344)	(103,166)
Net income / (loss) for the year attributable to Bank's Shareholders	171,115	(92,179)	14,565	(44,830)	48,671	77,995	56,607	3,118	186,391
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
Public subsidies received	-	-	-	-	-	-	-	-	-

(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 attributable to shareholders

(Thousands of euros)

	2018	2017
Net contribution:		
Retail banking in Portugal	227,387	171,115
Companies, Corporate and Investment banking	(106,130)	(92,179)
Private Banking	13,995	14,565
Foreign business (continuing operations)	305,411	246,864
Non-controlling interests (1)	(122,366)	(109,144)
	318,297	231,221
Amounts not allocated to segments:		
Interests of hybrid instruments	-	(6,343)
Net interest income of the bond portfolio	30,531	48,153
Interests written off	-	18,728
Own credit risk	-	(494)
Foreign exchange activity	22,222	16,557
Gains / (losses) arising from sales of subsidiaries and other assets	27,130	145
Equity accounted earnings	55,115	51,793
Impairment and other provisions (2)	(45,586)	(286,871)
Operational costs (3)	(29,388)	14,182
Gains on sale of public debt	14,889	54,417
Mandatory contributions	(66,471)	(57,859)
Loans sale	(49,343)	(9,229)
Taxes (4)	7,765	90,889
Income from discontinued operations	(1,318)	1,225
Non-controlling interests	4,557	5,978
Others (5)	12,665	13,899
Total not allocated to segments	(17,232)	(44,830)
Consolidated net income	301,065	186,391

(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.

54. 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, reserves and retained earnings deducted anticipated dividends 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 level 1 additional capital requirements, of institutions that are not totally owned by the Group.

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

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for 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, which period ends 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)

	2018 (*)	2017
Common equity tier 1 (CET1)		
Share capital	4,725,000	5,600,738
Share Premium	16,471	16,471
Ordinary own shares	(74)	(88)
Reserves and retained earnings	1,006,048	401,067
Minority interests eligible to CET1	493,796	564,042
Regulatory adjustments to CET1	(1,194,083)	(1,262,956)
	5,047,158	5,319,274
Tier 1		
Capital Instruments	1,169	4,130
Minority interests eligible to AT1	72,740	47,084
Regulatory adjustments	-	(51,214)
	5,121,067	5,319,274
Tier 2		
Subordinated debt	477,675	596,693
Minority interests eligible to CET1	148,108	146,229
Other	(58,800)	(130,345)
	566,983	612,577
Total own funds	5,688,050	5,931,851
RWA - Risk weighted assets		
Credit risk	36,974,641	35,366,357
Market risk	1,125,845	991,992
Operational risk	3,631,244	3,574,097
CVA	151,302	238,668
	41,883,032	40,171,114
Capital ratios		
CET1	12.1%	13.2%
Tier 1	12.2%	13.2%
Tier 2	1.4%	1.5%
	13.6%	14.8%

(*) The 2018 amounts include the accumulated net income.

55. 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 risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

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	2018	2017
Central Governments or Central Banks	15,231,511	11,404,056
Regional Governments or Local Authorities	806,871	744,693
Administrative and non-profit Organisations	144,656	349,156
Multilateral Development Banks	19,139	19,432
Other Credit Institutions	2,738,662	2,915,047
Retail and Corporate customers	60,735,561	60,199,404
Other items (*)	10,072,372	11,449,727
	89,748,772	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 expected, 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 recognised 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 before 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 31 December 2018 and 2017 integrates the general principles defined in International Financial Reporting Standards (IFRS 9 as from 1 January 2018 and IAS 39 until 31 December 2017) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC/2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2018, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	31 December 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)	880,560	10,657	669	-	891,886
Loans and advances to customers (note 21)	35,658,333	7,235,837	5,518,658	4	48,412,832
Debt instruments (note 22)	3,080,409	264,307	72,007	-	3,416,723
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,797,971	-	4,887	-	13,802,858
Financial guarantees (note 46)	10,702,195	1,491,003	640,274	-	12,833,472
Total	64,119,468	9,001,804	6,236,495	4	79,357,771

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

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)

	31 December 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)	410	774	669	-	1,853
Loans and advances to customers (note 21)	94,542	183,932	2,573,432	-	2,851,906
Debt instruments (note 22)	4,542	507	36,660	-	41,709
Financial guarantees (note 39)	10,632	6,615	170,463	-	187,710
Total	110,126	191,828	2,781,224	-	3,083,178

(Thousands of euros)

	31 December 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)	880,150	9,883	-	-	890,033
Loans and advances to customers (note 21)	35,563,791	7,051,905	2,945,226	4	45,560,926
Debt instruments (note 22)	3,075,867	263,800	35,347	-	3,375,014
Financial guarantees (notes 39 and 46)	10,691,563	1,484,388	469,811	-	12,645,762
Total	50,211,371	8,809,976	3,450,384	4	62,471,735

As at 1 January 2018, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1 C1.1.2), 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

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

	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
Financial guarantees (note 39)	9,814	10,375	125,400	145,589
Total	130,179	257,890	3,328,937	3,717,006

(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
Financial guarantees	10,434,876	1,457,276	598,177	12,490,329
Total	48,410,559	8,773,030	4,439,137	61,622,726

AS at 31 December 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 (note 23)	
Debt instruments	220,047
Derivatives	696,943
Hedging derivatives (note 25)	185,525
Financial assets designated at fair value through profit or loss	
Debt instruments (note 23)	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss	
Debt instruments (note 23)	16,778
Total	1,152,327

Notes:

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2018, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January 2018	112,344	244,708	3,165,613	-	3,522,665
Change in impairment losses:					
Transfer to Stage 1	39,995	(34,753)	(5,242)	-	-
Transfer to Stage 2	(8,140)	52,265	(44,125)	-	-
Transfer to Stage 3	(4,487)	(32,534)	37,021	-	-
Changes occurred due to changes in credit risk	(48,233)	(2,782)	393,564	-	342,549
Write-offs	(8,218)	(32,515)	(635,807)	-	(676,540)
Changes due to new financial assets and derecognised financial assets and other variations	11,281	(10,457)	(337,592)	-	(336,768)
Impairment losses as at 31 December 2018	94,542	183,932	2,573,432	-	2,851,906

During 2018, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January 2018	34,511,663	7,177,992	6,960,474	-	48,650,129
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,805,394)	1,805,394	-	-	-
Transfer from Stage 1 to Stage 3	(161,037)	-	161,037	-	-
Transfer from Stage 2 to Stage 1	1,359,489	(1,359,489)	-	-	-
Transfer from Stage 2 to Stage 3	-	(481,014)	481,014	-	-
Transfer from Stage 3 to Stage 1	40,611	-	(40,611)	-	-
Transfer from Stage 3 to Stage 2	-	325,303	(325,303)	-	-
Write-offs	(8,218)	(32,515)	(635,807)	-	(676,540)
Net balance of new financial assets and derecognised financial assets and other changes	1,721,219	(199,834)	(1,082,146)	4	439,243
Gross amount as at 31 December 2018	35,658,333	7,235,837	5,518,658	4	48,412,832

As at 31 December 2018, the modified financial assets that do not result in derecognition are analysed as follows:

(Thousands of euros)

Financial assets modified during the year (with impairment losses based on expected lifetime losses)	**2018**
Amortised cost before changes	547,969
Impairment losses before changes	(171,010)
Net amortised cost before changes	376,959
Net gain / loss arising on changes	(13,348)
Net amortised cost after changes	363,611

(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	**2018**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	67,709

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	31 December 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	19,749,462	2,536,079	197,808	46,836	2,780,723	429,851	551,741	981,592	-	23,511,777
Individuals-Other	5,552,362	714,557	102,982	32,516	850,055	267,829	371,734	639,563	4	7,041,984
Financial Companies	2,968,123	363,896	-	-	363,896	283,266	372,289	655,555	-	3,987,574
Non-financial comp. - Corporate	7,633,705	1,230,536	6,688	202	1,237,426	599,083	637,974	1,237,057	-	10,108,188
Non-financial comp.- SME-Corporate	9,015,943	2,041,249	25,862	3,241	2,070,352	1,088,217	622,686	1,710,903	-	12,797,198
Non-financial comp. -SME-Retail	3,381,566	1,151,099	64,964	6,624	1,222,687	558,034	357,637	915,671	-	5,519,924
Non-financial comp.-Other	282,342	173,104	351	143	173,598	31,802	58,226	90,028	-	545,968
Other loans	1,737,994	302,936	43	88	303,067	11	1,228	1,239	-	2,042,300
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Individuals-Mortgage	6,527	10,629	7,063	2,865	20,557	32,951	103,478	136,429	-	163,513
Individuals-Other	28,974	16,796	10,419	5,249	32,464	109,544	216,385	325,929	-	387,367
Financial Companies	2,266	7,318	-	-	7,318	187,600	280,991	468,591	-	478,175
Non-financial comp. - Corporate	23,010	33,240	109	5	33,354	346,914	378,883	725,797	-	782,161
Non-financial comp.- SME-Corporate	37,788	53,270	1,829	1,250	56,349	347,670	362,971	710,641	-	804,778
Non-financial comp. -SME-Retail	8,906	29,055	2,047	760	31,862	216,571	165,252	381,823	-	422,591
Non-financial comp.-Other	775	3,716	11	13	3,740	17,295	13,479	30,774	-	35,289
Other loans	1,880	6,184	-	-	6,184	11	1,229	1,240	-	9,304
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Individuals-Mortgage	19,742,935	2,525,450	190,745	43,971	2,760,166	396,900	448,263	845,163	-	23,348,264
Individuals-Other	5,523,388	697,761	92,563	27,267	817,591	158,285	155,349	313,634	4	6,654,617
Financial Companies	2,965,857	356,578	-	-	356,578	95,666	91,298	186,964	-	3,509,399
Non-financial comp. - Corporate	7,610,695	1,197,296	6,579	197	1,204,072	252,169	259,091	511,260	-	9,326,027
Non-financial comp.- SME-Corporate	8,978,155	1,987,979	24,033	1,991	2,014,003	740,547	259,715	1,000,262	-	11,992,420
Non-financial comp. -SME-Retail	3,372,660	1,122,044	62,917	5,864	1,190,825	341,463	192,385	533,848	-	5,097,333
Non-financial comp.-Other	281,567	169,388	340	130	169,858	14,507	44,747	59,254	-	510,679
Other loans	1,736,114	296,752	43	88	296,883	-	(1)	(1)	-	2,032,996
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Individuals-Mortgage	0.03%	0.42%	3.57%	6.12%	0.74%	7.67%	18.75%	13.90%	0.00%	0.70%
Individuals-Other	0.52%	2.35%	10.12%	16.14%	3.82%	40.90%	58.21%	50.96%	0.00%	5.50%
Financial Companies	0.08%	2.01%	7.10%	21.98%	2.01%	66.23%	75.48%	71.48%	0.00%	11.99%
Non-financial comp. - Corporate	0.30%	2.70%	1.63%	2.67%	2.70%	57.91%	59.39%	58.67%	0.00%	7.74%
Non-financial comp.- SME-Corporate	0.42%	2.61%	7.07%	38.58%	2.72%	31.95%	58.29%	41.54%	0.00%	6.29%
Non-financial comp. -SME-Retail	0.26%	2.52%	3.15%	11.47%	2.61%	38.81%	46.21%	41.70%	0.00%	7.66%
Non-financial comp.-Other	0.27%	2.15%	3.17%	8.86%	2.15%	54.38%	23.15%	34.18%	0.00%	6.46%
Other loans	0.11%	2.04%	1.04%	0.22%	2.04%	100.00%	99.92%	99.92%	0.00%	0.46%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	31 December 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	25,301,824	3,250,636	300,790	79,352	3,630,778	697,680	923,475	1,621,155	4	30,553,761
Non-financial comp.- Trade	4,247,942	642,117	14,849	2,904	659,870	230,067	157,920	387,987	-	5,295,799
Non-financial comp.- Construction	1,574,944	525,725	7,678	2,245	535,648	705,122	457,206	1,162,328	-	3,272,920
Non finan. comp.- Manufacturing indust.	4,474,126	903,046	16,952	1,291	921,289	146,016	169,215	315,231	-	5,710,646
Non-financial comp.-Other activities	1,349,242	320,945	2,313	502	323,760	212,992	18,897	231,889	-	1,904,891
Non-financial comp.- Other services	8,667,302	2,204,155	56,073	3,268	2,263,496	982,939	873,285	1,856,224	-	12,787,022
Other Services /Other activities	4,706,117	666,832	43	88	666,963	283,277	373,517	656,794	-	6,029,874
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Loans to individuals	35,501	27,425	17,482	8,114	53,021	142,495	319,863	462,358	-	550,880
Non-financial comp.- Trade	14,814	16,075	783	902	17,760	92,613	92,945	185,558	-	218,132
Non-financial comp.- Construction	6,299	5,719	1,099	550	7,368	265,322	263,502	528,824	-	542,491
Non-financial comp.- Manufacturing indus	17,935	18,086	1,039	132	19,257	52,154	88,621	140,775	-	177,967
Non-financial comp.-Other activities	2,407	10,089	75	70	10,234	90,586	8,189	98,775	-	111,416
Non-financial comp.- Other services	29,024	69,312	1,000	374	70,686	427,775	467,328	895,103	-	994,813
Other Services /Other activities	4,146	13,502	-	-	13,502	187,611	282,220	469,831	-	487,479
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Loans to individuals	25,266,323	3,223,211	283,308	71,238	3,577,757	555,185	603,612	1,158,797	4	30,002,881
Non-financial comp.- Trade	4,233,128	626,042	14,066	2,002	642,110	137,454	64,975	202,429	-	5,077,667
Non-financial comp.- Construction	1,568,645	520,006	6,579	1,695	528,280	439,800	193,704	633,504	-	2,730,429
Non finan. comp.- Manufacturing indust.	4,456,191	884,960	15,913	1,159	902,032	93,862	80,594	174,456	-	5,532,679
Non-financial comp.-Other activities	1,346,835	310,856	2,238	432	313,526	122,406	10,708	133,114	-	1,793,475
Non-financial comp.- Other services	8,638,278	2,134,843	55,073	2,894	2,192,810	555,164	405,957	961,121	-	11,792,209
Other Services /Other activities	4,701,971	653,330	43	88	653,461	95,666	91,297	186,963	-	5,542,395
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% 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 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	31 December 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	35,135,414	7,451,625	241,597	40,889	7,734,111	2,966,505	2,524,585	5,491,090	4	48,360,619
Poland	13,457,252	622,012	137,888	45,848	805,748	260,144	316,334	576,478	-	14,839,478
Mozambique	1,250,611	439,819	19,213	2,913	461,945	27,866	132,596	160,462	-	1,873,018
Switzerland	478,220	-	-	-	-	3,578	-	3,578	-	481,798
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Portugal	31,379	124,608	5,442	1,429	131,479	1,126,917	1,272,926	2,399,843	-	2,562,701
Poland	67,895	24,838	12,879	7,398	45,115	108,280	200,123	308,403	-	421,413
Mozambique	10,094	10,762	3,157	1,315	15,234	20,652	49,619	70,271	-	95,599
Switzerland	758	-	-	-	-	2,707	-	2,707	-	3,465
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Portugal	35,104,035	7,327,017	236,155	39,460	7,602,632	1,839,588	1,251,659	3,091,247	4	45,797,918
Poland	13,389,357	597,174	125,009	38,450	760,633	151,864	116,211	268,075	-	14,418,065
Mozambique	1,240,517	429,057	16,056	1,598	446,711	7,214	82,977	90,191	-	1,777,419
Switzerland	477,462	-	-	-	-	871	-	871	-	478,333
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Portugal	0.09%	1.67%	2.25%	3.49%	1.70%	37.99%	50.42%	43.70%	0.00%	5.30%
Poland	0.50%	3.99%	9.34%	16.14%	5.60%	41.62%	63.26%	53.50%	0.00%	2.84%
Mozambique	0.81%	2.45%	16.43%	45.16%	3.30%	74.11%	37.42%	43.79%	0.00%	5.10%
Switzerland	0.16%	0.00%	0.00%	0.00%	0.00%	75.66%	0.00%	75.66%	0.00%	0.72%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 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)

	31 December 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	25,159,396	8,953,561	2,853,215	35	1,181,364	38,147,571	90,088	38,057,483
stage 2	1,205,609	1,583,594	3,037,028	474,487	774,553	7,075,271	170,144	6,905,127
stage 3	2,549	10,477	96,250	5,246,346	73,159	5,428,781	2,538,296	2,890,485
POCI	-	-	-	-	4	4	-	4
	26,367,554	10,547,632	5,986,493	5,720,868	2,029,080	50,651,627	2,798,528	47,853,099
Debt instruments at fair value through other comprehensive income								
stage 1	13,708,187	83,940	-	-	5,843	13,797,970	-	13,797,970
stage 3	-	-	-	-	4,887	4,887	4,887	-
	13,708,187	83,940	-	-	10,730	13,802,857	4,887	13,797,970
Guarantees and other commitments								
stage 1	6,664,521	2,619,025	759,108	24	402,415	10,445,093	9,186	10,435,907
stage 2	205,729	304,644	609,108	49,856	295,250	1,464,587	6,451	1,458,136
stage 3	60	5	25,145	609,961	3,617	638,788	169,948	468,840
	6,870,310	2,923,674	1,393,361	659,841	701,282	12,548,468	185,585	12,362,883
Total	46,946,051	13,555,246	7,379,854	6,380,709	2,741,092	77,002,952	2,989,000	74,013,952

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	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 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	0.27%	1.99%	5.59%	22.05%	2.86%	36.33%	48.49%	42.85%	5.69%

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 31 December 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)

	31 December 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	32,662	23,479,115	23,511,777	12,457	151,056	163,513
Individuals-Other	166,397	6,875,587	7,041,984	65,687	321,680	387,367
Financial Companies	642,869	3,344,705	3,987,574	465,974	12,201	478,175
Non-financial comp. - Corporate	1,501,024	8,607,164	10,108,188	723,778	58,383	782,161
Non-financial comp.- SME-Corporate	1,373,461	11,423,737	12,797,198	605,480	199,298	804,778
Non-financial comp. -SME-Retail	673,122	4,846,802	5,519,924	297,067	125,524	422,591
Non-financial comp.-Other	212,836	333,132	545,968	30,260	5,029	35,289
Other loans	253,244	1,789,056	2,042,300	6,278	3,026	9,304
Total	4,855,615	60,699,298	65,554,913	2,206,981	876,197	3,083,178

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	199,059	30,354,702	30,553,761	78,144	472,736	550,880
Non-financial comp.- Trade	385,710	4,910,089	5,295,799	143,915	74,217	218,132
Non-financial comp.- Construction	1,049,175	2,223,745	3,272,920	472,074	70,417	542,491
Non finan. comp.- Manufacturing indust.	253,945	5,456,701	5,710,646	107,082	70,885	177,967
Non-financial comp.-Other activities	256,896	1,647,995	1,904,891	91,200	20,216	111,416
Non-financial comp.- Other services	1,814,718	10,972,303	12,787,021	842,315	152,496	994,811
Other Services /Other activities	896,113	5,133,761	6,029,874	472,252	15,225	487,477
Total	4,855,616	60,699,296	65,554,912	2,206,982	876,192	3,083,174

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	3,833,290	44,527,329	48,360,619	2,046,862	515,839	2,562,701
Poland	172,336	14,667,142	14,839,478	87,960	333,453	421,413
Mozambique	846,411	1,026,607	1,873,018	69,453	26,146	95,599
Switzerland	3,578	478,220	481,798	2,707	758	3,465
Total	4,855,615	60,699,298	65,554,913	2,206,982	876,196	3,083,178

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
Loans to individuals	229,617	29,775,432	30,005,049	89,677	632,682	722,359
Non-financial comp.- Trade	372,837	4,927,277	5,300,114	90,782	103,676	194,458
Non-financial comp.- Construction	1,414,493	2,271,428	3,685,921	551,922	104,639	656,561
Non finan. comp.- Manufacturing indust.	329,353	5,289,385	5,618,738	117,949	84,998	202,947
Non-financial comp.-Other activities	267,529	1,639,877	1,907,406	123,920	30,830	154,750
Non-financial comp.- Other services	2,509,704	9,574,941	12,084,645	1,017,654	145,962	1,163,616
Other Services /Other activities	955,231	5,782,628	6,737,859	596,104	26,211	622,315
Total	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 31 December 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):

	2018					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2008 and previous						
Number of operations	17,356	27,714	322,834	611,393	478	979,775
Value (Euros '000)	1,084,845	3,584,254	13,454,506	1,034,717	50,947	19,209,269
Impairment constituted (Euros '000)	168,452	163,012	135,942	26,295	771	494,472
2009						
Number of operations	2,077	3,273	18,789	73,636	64	97,839
Value (Euros '000)	237,103	685,307	903,711	114,823	7,638	1,948,582
Impairment constituted (Euros '000)	23,915	14,271	7,467	4,585	176	50,414
2010						
Number of operations	2,001	4,058	20,615	106,117	64	132,855
Value (Euros '000)	183,439	488,464	1,014,984	192,961	9,896	1,889,744
Impairment constituted (Euros '000)	19,436	15,042	6,723	3,872	594	45,667
2011						
Number of operations	1,960	5,450	13,584	122,165	43	143,202
Value (Euros '000)	98,288	464,657	618,493	193,887	11,437	1,386,762
Impairment constituted (Euros '000)	13,435	14,889	4,167	5,624	568	38,683
2012						
Number of operations	1,861	5,812	11,104	132,350	259	151,386
Value (Euros '000)	108,842	514,859	457,504	182,500	17,890	1,281,595
Impairment constituted (Euros '000)	9,720	90,442	6,146	7,281	338	113,927
2013						
Number of operations	2,833	8,494	11,479	167,727	116	190,649
Value (Euros '000)	139,013	966,916	514,301	230,884	144,862	1,995,976
Impairment constituted (Euros '000)	21,422	54,113	7,606	14,703	17,363	115,207
2014						
Number of operations	3,216	13,391	8,545	212,415	224	237,791
Value (Euros '000)	181,713	1,074,423	436,849	313,691	220,795	2,227,471
Impairment constituted (Euros '000)	9,084	43,856	6,413	24,582	819	84,754
2015						
Number of operations	4,850	20,901	9,886	292,179	448	328,264
Value (Euros '000)	265,538	1,782,911	586,031	517,277	224,327	3,376,084
Impairment constituted (Euros '000)	32,095	145,900	4,230	41,267	7,020	230,512
2016						
Number of operations	5,389	27,322	13,692	289,145	382	335,930
Value (Euros '000)	416,921	2,528,360	858,463	693,072	206,116	4,702,932
Impairment constituted (Euros '000)	31,960	119,846	4,202	37,250	4,137	197,395
2017						
Number of operations	6,189	31,197	25,233	306,462	440	369,521
Value (Euros '000)	696,026	3,046,700	1,834,789	877,639	262,900	6,718,054
Impairment constituted (Euros '000)	45,668	92,627	5,114	31,016	6,008	180,433
2018						
Number of operations	14,010	132,610	32,879	634,048	4,017	817,564
Value (Euros '000)	1,942,173	8,159,206	2,723,382	1,933,972	803,583	15,562,316
Impairment constituted (Euros '000)	29,250	143,454	4,332	31,428	17,731	226,195
Total						
Number of operations	61,742	280,222	488,640	2,947,637	6,535	3,784,776
Value (Euros '000)	5,353,901	23,296,057	23,403,013	6,285,423	1,960,391	60,298,785
Impairment constituted (Euros '000)	404,437	897,452	192,342	227,903	55,525	1,777,659

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):

	2017					
Year of production	Construction and CRE	Companies - Oth. 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 31 December 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:

	2018					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	7,509	8,674	10,699	67,843	412,381	471
Value (Euros '000)	926,993	221,851	1,531,245	1,583,305	45,077,642	24,357
>= 0.5 M€ and < 1 M€						
Number	638	57	1,314	293	2,450	5
Value (Euros '000)	432,714	36,504	915,079	205,129	1,586,158	2,876
>= 1 M€ and < 5 M€						
Number	436	56	1,055	224	372	2
Value (Euros '000)	875,232	99,842	2,081,256	425,434	561,752	2,916
>= 5 M€ and < 10 M€						
Number	68	3	118	24	4	-
Value (Euros '000)	479,873	19,280	803,674	162,992	24,124	-
>= 10 M€ and < 20 M€						
Number	32	4	59	17	-	-
Value (Euros '000)	430,715	58,495	791,756	255,092	-	-
>= 20 M€ and < 50 M€						
Number	26	-	27	3	-	-
Value (Euros '000)	757,027	-	802,373	86,423	-	-
>= 50 M€						
Number	3	-	8	2	-	-
Value (Euros '000)	176,677	-	669,380	688,193	-	-
Total						
Number	8,712	8,794	13,280	68,406	415,207	478
Value (Euros '000)	4,079,231	435,972	7,594,763	3,406,568	47,249,676	30,149

(*) 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:

	2017					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other real 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 31 December 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)

	31 December 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,919,046	714,764	537,137	234,797
<60%	9,267	397,422	217,356	90,602	31,083
>=60% and <80%	4,269	490,779	82,968	109,921	23,882
>=80% and <100%	2,132	162,694	54,044	96,652	29,928
>=100%	15,197	263,815	151,302	819,524	428,196
Companies - Other Activities					
Without associated collateral	n.a.	14,681,508	2,224,191	1,597,121	1,045,994
<60%	47,980	1,374,701	447,465	233,219	80,416
>=60% and <80%	16,575	902,710	244,641	151,310	51,077
>=80% and <100%	13,894	709,089	202,621	143,773	70,388
>=100%	8,657	1,115,491	357,817	723,141	487,563
Mortgage loans					
Without associated collateral	n.a.	231,962	5,098	10,469	7,999
<60%	272,952	8,057,885	952,664	201,100	30,362
>=60% and <80%	145,013	7,210,271	1,031,242	236,650	29,324
>=80% and <100%	67,132	3,286,948	616,158	251,569	29,570
>=100%	28,216	1,343,396	219,650	375,142	115,204

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)

Segment/Ratio	31 December 2017 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 31 December 2018, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 27), by type of asset:

(Thousands of euros)

	2018					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	528,954	477,795	267,943	267,943	796,897	745,738
Rural	29,362	26,466	32,760	32,760	62,122	59,226
Buildings in development						
Commercials	25,937	23,348	34,754	34,754	60,691	58,102
Mortgage loans	51,070	44,107	-	-	51,070	44,107
Other	61	61	-	-	61	61
Constructed buildings						
Commercials	344,455	307,941	23,692	23,692	368,147	331,633
Mortgage loans	474,032	417,164	6,994	6,994	481,026	424,158
Other	6,109	6,050	2,851	2,851	8,960	8,901
Other assets	4,050	4,050	-	-	4,050	4,050
	1,464,030	1,306,982	368,994	368,994	1,833,024	1,675,976

As at 31 December 2017, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 27), by type of asset:

(Thousands of euros)

	2017					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised 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
	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 31 December 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	0.8%
Restricted credit	12 or worse	0.4%

As at 31 December 2018 there were 3 Economic Groups with net exposure above the limits approved for the respective risk grade, less one client in that situation than by the end of 2017. 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 31 December 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: 1.4% (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: 2.8% (very low risk); Institution 2 (average or lower quality risk): 1.9%; Institution 3: (very low risk) 1.0%; Institution 4: 0.8% (low risk); Institution 5: 0.6% (very low risk); Institution 6: 0.6% ; Institution 7: 0.6%; Institution 8: 0.5%; Institution 9: 0.4%; Institution 10: 0.4%; Institution 11: 0.3%; Institution 12: 0.3%; Institution 13: 0.2%; 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: 0.2%

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): 4.1%; Country 2 (average or lower quality risk): 2.8%; Country 3 (very low risk): 2.4%; Country 4 (very low risk): 2.4%; Country 5 (low risk): 2.1%; Country 6: 1.9%; Country 7: 1.6%; Country 8: 1.3% ; Country 9: 0.9% ; Country 10: 0.7% ; Country 11: 0.6% ; Country 12: 0.6% ; 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: 26.2%; Other activities: 18.3%; Wholesale and retail trade and repairs: 17.9%; Construction: 16.5%; Financial and insurance activities: 15.6% Poland: Wholesale and retail trade and repairs: 26.3%; Transporting and storage: 11.5%; Financial and insurance activities: 8.9%; Other corporate services: 7.2%

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 of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks 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 management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective 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 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 - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - 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 table below presents the amounts at risk for the Trading Book, as at 31 December 2018 and 2017, and measured by the methodologies referred to above:

(Thousands of euros)

	2018	Maximum	Average	Minimum	2017
Generic Risk (VaR)	3,040	5,407	2,817	1,661	2,546
Interest Rate Risk	3,125	5,160	2,573	1,760	2,450
FX Risk	363	495	784	305	790
Equity Risk	34	89	52	66	36
Diversification effects	(483)	(336)	(592)	(471)	(730)
Specific Risk	47	389	115	19	100
Non-Linear Risk	0	17	10	0	7
Commodities Risk	5	7	3	1	6
Global Risk	3,091	5,579	2,945	1,746	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 identifying 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 evaluation of 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, although 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)

	2018			
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	1,822	1,822	2,879	5,694
EUR	(20,095)	(24,812)	128,633	251,343
PLN	16,936	7,841	(7,100)	(13,523)
USD	(28,136)	(13,800)	13,280	26,077
	(29,473)	(28,949)	137,692	269,591

(Thousands of euros)

	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 placed 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	2018	2017	2018	2017
AOA	352.8610	199.0190	298.2603	189.7275
BRL	4.4377	3.9775	4.3064	3.6296
CHF	1.1267	1.1704	1.1518	1.1117
MOP	9.2211	9.6669	9.2211	9.6669
MZN	70.5000	70.4400	71.6463	71.6902
PLN	4.2966	4.1756	4.2635	4.2514
USD	1.1434	1.2006	1.1828	1.1344

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area, in accordance with the risk specialization 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 hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

As at 31 December 2018, the Group's investments in convertible foreign currencies were fully 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.

Regarding equity risk, the Group maintains a set of positions of small size and low risk equity positions, essentially 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' control.

As at 31 December 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:

		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	79,922	79,922	70,936	70,936
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	598,151	598,151

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. These hedging relationships were considered effective during 2018, 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 218% at the end of December 2018 on a consolidated basis, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with prudent management of the Group's short-term liquidity, evolved favourably compared to the same date last year (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) as determined in 31 December 2018 to stand at 133% (124% as at 31 December 2017).

In 2018, in consolidation basis, there was an increase Euros 313,403,000 in wholesale financing requirements, mainly attributable to the opposite impacts of the increase in sovereign debt portfolios in Portugal and Poland, on the one hand, and a new reduction of the commercial gap in Portugal and cash flow from operations, on the other.

In terms of the financing structure, the increase in liquidity needs was almost entirely supplied to the money market, with a net increase Euros 356,618,000, to a balance of Euros 1,168,237,000, as a result of the increase in the interbank market of Euros 754,345,000 (to a balance of Euros 738,133,000), and a reduction of Euros 397,728,000 in the repos resource, to a balance of Euros 430,105,000 at the end of the year.

The value of collateralised borrowings with the ECB remained at Euros 4,000,000,000, corresponding to the balance of the longer-term refinancing operations called TLTRO, which will reach maturity in 2020. Net funding with the ECB, which deducts the liquidity deposited with the Bank of Portugal above minimum cash reserves requirements and other liquidity denominated in euros, as well as the interest associated with the negative financing rate applied to TLTRO, continued its progressive reduction path in 2018, at Euros 396,620,000 to a balance of Euros 2,651,998,000.

The growth of the ECB's eligible assets portfolios allowed a significant strengthening of the liquidity buffer with the Eurosystem, which at the end of 2018 reached Euros 14,260,533,000 (vs. Euros 9,727,641,000 in December 2017).

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts and other Central Banks in Europe, is detailed as follows:

(Thousands of euros)

	2018	2017
European Central Bank	7,248,348	7,431,756
Other Central Banks	5,608,093	3,216,224
	12,856,441	10,647,980

As at 31 December 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 31 December 2018, the amount discounted with Banco de Moçambique was Euros 1,275,000 (zero amount as at 31December 2017). As at 31 December 2018 and 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)

	2018	2017
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	7,248,348	7,431,756
Outside the pool of ECB monetary policy	9,664,184	5,344,503
	16,912,532	12,776,259
Net borrowing at the ECB (ii)	2,651,998	3,048,618
Liquidity buffer (iii)	14,260,534	9,727,641

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 31 December 2018, the value of funding with ECB net of interest associated with negative financing rate applied to TLTRO (Euros 40,206,000) of deposits with the Bank of Portugal and other liquidity of the Eurosystem (Euros 1,671,612,000), plus the minimum cash reserves (Euros 363,815,000).
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 as at 31 December 2018 a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) of 87% and as at 31 December 2017 this ratio was set at 93% (according to the current version of the Instruction as at 31 December 2018).

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% from1 January 2018. The LCR ratio of the BCP Group comfortably stood above the reglementary limit indicating 218% at the end of December 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 December 2018 set the NSFR at 133% (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)

	2018			
	Encumbered assets		Unencumbered assets	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Assets of the reporting institution, of which:	10,981,675	n/a	62,475,453	n/a
Equity instruments	-	-	71,853	71,853
Debt securities	1,739,649	1,740,137	15,520,632	15,522,488
Other assets	-	-	7,697,410	n/a

(Thousands of euros)

	2017			
	Encumbered assets		Unencumbered assets	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
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)

	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
Collateral received	2018	2017	2018	2017
Collateral received by the reporting institution	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	-	-	164,835	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 2018	2017
Matching liabilities, contingent liabilities and securities lent	6,845,902	8,957,873
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	10,088,945	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 7,697,410,000 (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 the previous tables correspond to the position as at 31 December 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 31 December 2018 amounts to Euros 14,260,533,000 (31 December 2017: Euros 9,727,641,000).

BCP Group has currently two covered bond programmes in place, the Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme"), and the Euros 2.0 BII Covered Bond Programme ("BII Programme"), with Euros 8.2 billion and Euros 895 million of covered bonds outstanding, respectively. The BCP Programme is backed by a Euros 11.4 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 38.5% that is above the minimum of 14% currently required by rating agencies. The BII Programme is backed by its own Euros 1,020 million cover pool of essentially residential mortgages, corresponding to an OC of 14% that is above the minimum OC of 12.5% currently required by rating agencies.

The Portuguese covered bond legislation ensure covered bond holders benefit from dual-recourse over the issuer together with a special preferential claim over the respectively assigned residential mortgage portfolios, with precedence over any other creditors, with covered bond law superseding the general bankruptcy regulation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, which include a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or if otherwise, all preceding liens being in the cover pool) over properties located in the EU. Both the BCP Programme and the BII Programme documentation limit property location to Portugal.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2018						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	2,753,839	-	-	-	-	-	2,753,839
Loans and advances to CI							
Repayable on demand	326,707	-	-	-	-	-	326,707
Other loans and advances	-	848,082	42,500	635	-	669	891,886
Loans and advances to customers	-	-	8,156,009	8,824,309	29,417,461	2,015,053	48,412,832
Financial assets (*)	-	851,837	1,379,095	8,786,323	4,115,078	730,414	15,862,747
	3,080,546	1,699,919	9,577,604	17,611,267	33,532,539	2,746,136	68,248,011
Liabilities							
Resources from CI	-	1,965,667	284,043	4,682,096	820,990	-	7,752,796
Resources from costumers	30,592,203	11,210,405	10,233,768	614,111	14,200	-	52,664,687
Debt securities issued	-	74,027	55,027	1,252,639	298,701	-	1,680,394
Subordinated debt	-	-	133,709	441,492	461,584	27,021	1,063,806
	30,592,203	13,250,099	10,706,547	6,990,338	1,595,475	27,021	63,161,683

(*) 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.

Operational Risk

The operational risk management system adopts the "3 Lines of Defence" model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, all the Group's subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Office is part of the 2nd Line of Defence and is responsible for implementing the risk policies defined for the Group, for developing and proposing methodologies for managing this risk, for supervising their implementation and for challenging the 1st Line of Defence regarding the risk levels incurred, reporting to the Operational Risk and Internal Control Monitoring Committee.

In 2018, the usual operational risk management activities continued to be carried out by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

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, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

As at 31 December 2018, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2018			
	Hedging instruments			
		Book value		Change in
Type of hedging	Notional	Assets	Liabilities	fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,001,174	12,662	77,787	(32,377)
	4,001,174	12,662	77,787	(32,377)
Cash flows hedging				
Foreign exchange risk				
Currency and interest rate swap	3,516,676	28,051	87,700	5,068
Interest rate risk				
Interest rate swaps	12,725,086	81,677	7,604	107,337
	16,241,762	109,728	95,304	112,405
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	596,165	664	4,809	17,333
	596,165	664	4,809	17,333
Total	20,839,101	123,054	177,900	97,361

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2017, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2017			
	Hedging instruments			
		Book value		Change in
Type of hedging	Notional	Assets	Liabilities	fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	6,730,228	20,444	53,744	11,171
Other	450,000	-	12,899	(14,775)
	7,180,228	20,444	66,643	(3,604)
Cash flows hedging				
Foreign exchange risk				
Currency swap	89,800	12,501	-	-
Currency and interest rate swap	3,686,980	197,644	42,352	11,508
Interest rate risk				
Interest rate swaps	744,085	2,012	2	593
	4,520,865	212,157	42,354	12,101
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	595,827	-	22,288	(30,143)
	595,827	-	22,288	(30,143)
Total	12,296,920	232,601	131,285	(21,646)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2018, the table below includes the detail of the hedged items:

(Thousands of euros)

		2018						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	462,400	-	5,306	-	444	n.a.	n.a.
	(C)	3,484,435	-	(65,176)	-	37,021	n.a.	n.a.
	(D)	-	260,000	-	2,797	(3,796)	n.a.	n.a.
	(E)	-	180,650	-	7,417	1,679	n.a.	n.a.
	(F)	-	2,517	-	11	20	n.a.	n.a.
	(G)	-	7,685	-	137	196	n.a.	n.a.
		3,946,835	450,852	(59,870)	10,362	35,564	n.a.	n.a.
Cash flows hedging								
Foreign exchange risk								
Currency and interest rate swap	(B)	3,577,938	-	-	-	(5,068)	(9,074)	(7,051)
Interest rate risk								
Interest rate swaps	(B)	12,214,683	-	-	-	(107,337)	63,219	50,648
		15,792,621	-	-	-	(112,405)	54,145	43,597
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(17,333)	17,333	-
Total		19,739,456	450,852	(59,870)	10,362	(94,174)	71,478	43,597

(A) Fair value changes used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

As at 31 December 2017, the table below includes the detail of the hedged items:

(Thousands of euros)

		2017						
		Hedged items						
		Book value		Cumulative value of the adjustments			Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	468,090	-	4,886	-	(1,167)	n.a.	n.a.
	(C)	1,027,868	-	(27,564)	-	6,573	n.a.	n.a.
	(D)	-	4,760,000	-	(11,566)	(9,907)	n.a.	n.a.
	(E)	-	205,438	-	9,119	7,700	n.a.	n.a.
	(F)	-	62,900	-	9,046	(1,427)	n.a.	n.a.
	(G)	-	263,350	-	39,369	(3,701)	n.a.	n.a.
		1,495,958	5,291,688	(22,678)	45,968	(1,929)	n.a.	n.a.
Cash flows hedging								
Foreign exchange risk								
Currency and interest rate swap	(B)	3,522,198	-	-	-	(11,508)	(14,432)	(12,083)
Interest rate risk								
Interest rate swaps	(B)	12,295,988	-	-	-	50,511	158,547	70,690
		15,818,186	-	-	-	39,003	144,115	58,607
Hedging of net investments in foreign entities								
Foreign exchange risk								
Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	30,143	(30,143)	n.a.
Total		17,314,144	5,291,688	(22,678)	45,968	67,217	113,972	58,607

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - ' Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

The table below shows the reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2018:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	2018	2017	2018	2017
Balance as at 1 January 2018	(26,514)	(40,454)	4,450	34,593
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	4,951	11,508	-	-
Foreign exchange changes	746	(2,274)	-	-
Others	4,691	4,706	-	-
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	-	-	17,333	(30,143)
Balance as at 31 December 2018	(16,126)	(26,514)	21,783	4,450

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2018:

(Thousands of euros)

	2018					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	3,187		n.a.	n.a.
		n.a.	3,187		n.a.	n.a.
Cash flows hedging						
Foreign exchange risk						
Currency and interest rate swap	(D)	5,068	(4,636)		-	-
Interest rate risk						
Interest rate swaps	(D)	43	-	(E)	23,004	-
		5,111	(4,636)		23,004	-
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	17,333	-		-	-
		17,333	-		-	-
Total		22,444	(1,449)		23,004	-

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2017:

(Thousands of euros)

	2017					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(5,533)		n.a.	n.a.
Other	(D)	n.a.	n.a.		n.a.	n.a.
		n.a.	(5,533)		n.a.	n.a.
Cash flows hedging						
Foreign exchange risk						
Currency and interest rate swap	(D)	11,508	(4,706)		-	-
Interest rate risk						
Interest rate swaps	(D)	593	-	(E)	26,586	-
		12,101	(4,706)		26,586	-
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(30,143)	-	-	-	-
		(30,143)	-		-	-
Total		(18,042)	(10,239)		26,586	-

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains / (losses) from hedge accounting operations
(E) Interest income
(F) Net gains / (losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 31 December 2018, by maturity:

(Thousands of euros)

	2018					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	24,500	3,976,674	4,001,174	12,662	77,787
Fixed interest rate (average)		3.44%	1.05%	1.07%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by OTC Market:	447,220	876,520	19,515,361	20,839,101	123,054	177,900

The table below shows the detail of hedging instruments, as at 31 December 2017, by maturity:

(Thousands of euros)

	2017					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	5,288	6,724,940	6,730,228	20,444	53,744
Fixed interest rate (average)		0.00%	0.00%	0.00%		
Other	450,000	-	-	450,000	-	12,899
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	76,396	249,784	12,467,904	12,794,084	3,756	46,054
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	89,800	9,932	-	99,732	12,501	-
Foreign exchange rate and interest rate swap	492,427	412,928	2,781,626	3,686,981	197,644	42,352
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	-	224,675	371,152	595,827	-	22,288
Total derivatives traded by OTC Market:	1,108,623	902,607	22,345,622	24,356,852	234,345	177,337

56. 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, existing 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 the terms of reference for an external audit were agreed.

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.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "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 on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique. The Group has no exposure to this debt.

As at 31 December 2018, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 317,499,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 152,287,000. BIM's contribution to consolidated net income for 2018, attributable to the shareholders of the Bank, amounts to Euros 62,726,000.

On this 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 698,781,000. These public debt securities mostly have a maturity of less than 1 year.

As at 31 December 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 375,919,000 (of which Euros 356,514,000 are denominated in metical, Euros 3,854,000 denominated in USD and Euros 15,551,000 denominated in Rands) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 155,247,000 denominated in USD and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 74,694,000 (of which Euros 25,333,000 are denominated in metical, Euros 49,272,000 denominated in USD and Euros 89,000 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 has 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, the Ministry of Economy and Finance of the Republic of Mozambique has presented in November 2018 new proposals regarding this matter, a solution has not yet been approved to change the current Group's expectations reflected in the financial statements as at 31 December 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).

57. Contingent liabilities and other commitments

In accordance with accounting policy 1V.3, the main Contingent liabilities and other commitments under IAS 37 are as follows:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of the Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between credit institutions in the Portuguese banking market.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the PCA – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearing of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to refuse the application for confidential treatment of some of the information included in the Bank's defence, restating its arguments. The Bank submitted a non-confidential revised version of its reply but reaffirmed that it is not the Bank that must protect the confidential information of the co-defendants. On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restated its opposition to the PCA's request).

If the PCA issues a conviction decision, the Bank may be subject to a fine calculated in accordance with the applicable legislation, namely pursuant to article 69 of Law no. 19/2012, of 8 May. However, the Bank may challenge the application of any sanction.

2. On 3 December 2015 a class action was served on the Bank Millennium, S.A. (Bank Millennium) in Poland. A group of the Bank Millennium debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.81 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. The plaintiff group was extended in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.81 million) to over PLN 5 million (Euros 1.16 million).

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7.37 million (Euros 1.72 million). On 21 November 2018, Bank Millennium filed objections regarding the membership of individual people in the group.

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all people who joined the proceedings may participate in the group).

3. On 21 October 2014 a class action was delivered to Bank Millennium in which a group of the Bank Millennium borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage agreements.

The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was the result from the application of abusive contractual provisions concerning the CHF-indexation of credits.

The number of the group members amounts to approximately 5,400 and the value of the litigation has been estimated to approximately PLN 146 million (Euros 34 million). The number of loan agreements involved is approximately 3,400. The current stage of the proceedings is establishing the composition of the group (i.e. determining whether all people who joined the group may participate in the group).

4. 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, worth of the dispute PLN 521.9 million (Euros 121.5 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 Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., that resulted in considering the loan as overdue.

In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250 million (Euros 58.2 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim.

Supporting the position of Bank Millennium, Bank's Millennium attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium.

Favourable forecasts for Bank Millennium, as regards dismissal of the suit brought by EFWP-B to the Warsaw Regional Court, have been confirmed by a renowned law firm representing Bank Millennium in this proceeding.

5. On 19 January 2018, Bank Millennium has received the lawsuit petition of First Data Polska SA requesting the payment of PLN 186.8 million (Euros 43,5 million). First Data Polska SA claims a share in an amount which Bank Millennium has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with Bank Millennium on cooperation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. Bank Millennium does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law. The case is being examined by the Court of First Instance.

6. 2018 year did not bring legal changes towards FX mortgage portfolios. On 2 August 2016 the Poland President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law, to be approved, provides for the application to all 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 Conversion 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 Conversion 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 Conversion 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, assessed based on FX mortgage balance (PLN 128 billion (Euros 29.8 billion) in December 2018 according to the Polish Financial Supervision Authority (KNF)), equal to up to PLN 2.6 billion (Euros 600 million) in the first year of operation of the Conversion Fund. According to the Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables with consideration of stability of the financial system and effective use of money in the Restructuring Fund. After Government's acceptance and voting of several changes by the Parliamentary Committees, Presidential Bill of 2 August 2017 will be able to put to the vote by the chambers of Parliament.

The two above Bills included, 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 Group. However if any of the Bills is adopted and begins to bind banks, this may lead to significant reduction of the Group's future 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) that the Court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares since they acted pursuant to a request made by the Bank for the making of the respective purchases and also that the court orders the cancellation of the registration of those shares in the name of those companies;
b) that the Court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;
c) that the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to deliver to them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;
d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;
e) the Bank opposed and presented a counter claim wherein it requests the conviction, namely of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The Court made a decision accepting the formalities of right of action and already established the facts proven and those that must be proven yet. We are waiting for the appointment of an expertise, requested by the plaintiffs, and each one of the parties must, afterwards, indicate an expert and the Court shall indicate a third expert.

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, on that date, 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 (CCA) 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 (**).

On 28 March 2018, following the disclosure of the 2017 annual results by Novo Banco, the Resolution Fund made a communication on the activation of the CCA totalling EUR 792 million. According to this press release, the amount determined by Novo Banco falls within the obligations of the Resolution Fund agreed upon in connection with the partial sale of the Resolution Fund's stake in Novo Banco, which includes the CCA, and is contained in that limit.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 791,695 thousand 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.

In its 2018 annual results press release, on 1 March 2019, Novo Banco states that "in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. 69% of this amount results from the losses incurred on the assets included in the CCA and 31% due to regulatory requirements for capital increase in the adjustment of the transitional period of capital ratios and to the impact of IFRS 9".

On the same day, the Resolution Fund reported that the amount determined by Novo Banco falls within the obligations established in the contract by 2017 and are contained in the maximum limit of Euros 3,890 million. The same press release mentions that the payment due in 2019 by the Resolution Fund will be carried out after the legal certification of Novo Banco's accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for.

Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

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 Resolution Fund expects that there will be no relevant situations triggering the guarantee provided by the Resolution Fund.

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 was funded through a loan granted by the State.

(*) Exact value not disclosed by the European Commission for confidentiality reasons
(**) As referred to in the respective European Commission Decision
(***) According to 2018 Novo Banco's earnings institutional presentation, the minimum capital condition is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first years (2017-2019); (ii) CET1 < 12%

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 of Euros 136 million 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 and 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 (according to the Resolution Fund Annual Report of 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 held, as at 31 December 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 subject to a capital ratio trigger (CET1 below 8%-13%) and some additional conditions. The amount that can be reclaimed under the CCA is subject to the CCA cap or EUR 3.89 billion (*) (**) (***);
- 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 under the CCA is subject to the CCA cap of EUR 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 instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;
- In case the SREP total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State can provide additional capital in certain conditions and through different instruments (**);
- 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.
- According to a Resolution Fund's press release dated 1 March 2019, "In accordance with 2018 Novo Banco's earnings release, the amount to be paid in 2019 by the Resolution Fund will amount to Euros 1,149 million (...) Under the terms agreed on the contract, a payment of Euros 791.7 million was made in 2018. The amount paid in 2018 and the amount now determined by Novo Banco fall within the obligations contracted in 2017 and is within that cap. The payment due in 2019 by the Resolution Fund will be carried out after the legal certification of Novo Banco's accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for. To make the payment, the Resolution Fund will use, firstly, the available financial resources, resulting from the contributions paid, directly or indirectly by the banking sector. These resources will be complemented by the use of a loan agreed with the State in October 2017, with the annual cap, then set, of Euro 850 million".

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
(***) According to 2018 Novo Banco's earnings institutional presentation, the minimum capital condition is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first years (2017-2019); (ii) CET1 < 12%

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% 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, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5(e) of the Regulation of the Resolution Fund, approved by the Ministerial Order No. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen. Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

9. An administrative proceedings initiated by Banco Comercial Português, S.A., Banco Activo Bank S.A. and Banco de Investimento Imobiliário, S.A., opposing to the resolution adopted by Banco de Portugal on 31 March 2017 to sell Novo Banco (NB), and, as a precaution, the resolution adopted by the Resolution Fund, on the same date, to execute that resolution in the extent that it foresees the sale of NB by resorting to a contingent capitalization mechanism, according to which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3.9 billion, under determined circumstances. In the proceedings, the Claimants request the declaration of nullity or annulment of those acts.

The proceedings was filed based on the information contained in the Communication from Banco de Portugal dated 31 March 2017, of which the Claimants were not notified.

The proceedings was filed on 4 September 2017. Banco de Portugal and the Resolution Fund presented its arguments and only very recently Nani Holdings SGPS, S.A did the same since, by delay of the Court, this company was only very recently notified to act as a party in the proceedings.

Besides opposing to it, the Defendants invoke three objections (i) the illegitimacy of the Claimants, (ii) the argument that the act performed by Banco de Portugal cannot be challenged and (iii) the material incompetence of the Court. The opponent part invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The Claimants replied to the arguments presented by the Defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Banco de Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but the majority of the documents delivered were truncated in such a way that neither the Court nor the Claimants are able to get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the Court to order Banco de Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings is prepared for confirmation of the decision accepting the formalities of right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the Claimants to identify it. Afterwards that Bank will be notified to presents its opposition arguments.

10. 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.

11. 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, as long as there are distributable profits and the General Meeting so decides, part of the profits to be attributed to employees as compensation for this. This compensation may occur in a phased manner and does not constitute an acquired right. In the current year, as the result of the proposal for the application of results, it will already be proposed to the General Meeting to allocate a budget for this purpose.

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.

12. 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.

13. 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.

After several procedural extraordinary events, on 27 January 2019, the Court issued a new sentence - which fully reproduces the previous one issued on 25 May 2018 - considering: (i) rejected the request made by the Bank consisting in the reduction of the pensions paid and to be paid to the first defendant 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 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.

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.

58. Recently issued accounting standards

1- The recently issued accounting standards and interpretations that came into force in 2018 are as follows:

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union with mandatory application for the financial year of the Group started on 1 January 2018:

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 replace IAS 39 - Financial Instruments: Recognition and Measurement and provide 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 at the date of initial application (1 January 2018), as detailed in note 59.

Amendment to IFRS 9: Prepayment features with negative clearing (applicable in the European Union for years beginning on or after 1 January 2019):

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value through reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

The Group applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 59.

IFRS 15 - Revenue from contracts with customers

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter transactions involving advertising services.

There were no material impacts on the application of this standard in the Group's financial statements.

Amendments to IFRS 15 - Revenue from contracts with customers

These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

There were no material impacts on the application of this amendments in the Group's financial statements.

IFRIC 22 - Foreign currency transactions and down payments

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

There were no material impacts on the application of this interpretation in the Group's financial statements.

Amendments to IAS 40 - Transfers of investment property

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

There were no material impacts on the application of this amendments in the Group's financial statements.

Amendments to IFRS 2 - Share-based payments

These amendments introduce various clarifications in the standard related to: (i) recording cash settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.

There were no material impacts on the application of this amendments in the Group's financial statements.

Improvements to international financial reporting standards (cycle 2014-2016)

These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

There were no material impacts on the application of this improvements in the Group's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

IFRIC 23 - Uncertainties in the treatment of income tax (applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

The Group does not anticipate material impact on the application of this interpretation in its financial statements.

IFRS 16 - Leases (applicable in the European Union to annual periods beginning on or after 1 January 2019)

IFRS 16 was approved by EU in October 2017 and enters into force in the periods starting on or after 1 January 2019. Its early application is permitted through the fulfilment of certain requirements.

This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases. The Group will apply the principles set out in IFRS 16 at the beginning of 2019 and, after a preliminary assessment, the following impacts are expected:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases, not being expected substantial changes for the Group compared to which was already defined in IAS 17;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group will choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard won't be applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e. the right to obtain substantially all of the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee 's perspective

The Group will recognise for all leases, except for those with a term under 12 months or for low value underlying asset leases:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Lease payments shall be discounted at the interest rate implicit in the lease, if that rate is easily determinable. If not, the lessee's incremental borrowing rate shall be used. Subsequently, lease payments will be measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in-substance fixed payments.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17. Thus, it is not expected that the lessor will make transition adjustments resulting from the adoption of IFRS 16. The Group does not anticipate any impact on the application of this change in its financial statements.

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group will apply this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group will recognise a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable;
- discount rate: it was used the lessee 's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts that will be covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles. According to the preliminary analysis made, the Group estimates that, by applying this new standard in January 2019, its total assets and liabilities will have an increased amount of Euros 245 million, approximately. The adoption of IFRS 16 will result in changes in the Amortisations and depreciations, Other administrative costs and Interest expense, but, on a net basis, these changes will not result in material impacts in the Income statements.

Amendment to IFRS 4: application of IFRS 9 - Financial instruments with IFRS 4 - Insurance contracts

This amendment provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

Amendment to IAS 28: Long-term investments in associates and joint arrangements (applicable in the European Union for years beginning on or after 1 January 2019)

This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.

Improvements to international financial reporting standards (cycle 2015-2017) - (applicable in the European Union for years beginning on or after 1 January 2019)

These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary on which previously had joint control; IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has gotten ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

Amendment to IAS 19: Plan Amendment, Curtailment or Settlement (applicable in the European Union for years beginning on or after 1 January 2019)

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

These standards, although endorsed by the European Union, were not adopted by the Group in 2018, as their application is not yet mandatory.

3 - Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and therefore not applied by the Group:

IFRS 17 - Insurance Contracts (applicable for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.

Amendments to References to the Conceptual Framework in IFRS Standards (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments in several standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32) related to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised definitions of an asset and liability and new guidance on measurement, derecognition, presentation and disclosure.

Amendment to IFRS 3: Definition of a Business (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments in the definition of a business and clarifies the identification of the acquisition of a business or an acquired set of activities and assets. The revised definition also clarifies the definition of a business output by focusing on goods and services provided to customers. The changes also add guidance and illustrative examples to help entities assess an acquisition of a business.

Amendments to IAS 1 and IAS 8: Definition of material (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their adoption will result in significant impacts on the Group's accompanying financial statements.

59. 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 373,656,000 (negative impact of Euros 403,767,000 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 amortised 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 262,624,000.

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) were recognised in the income statement, while under IFRS 9 these fair value changes are presented as follows: the amount related to the variation in the fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining value of the change in fair value is 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 the 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 were recognised in OCI and the amount recognised in OCI in each year is variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity at the nominal value.

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	-	-	(194,385)	(194,385)	(41,163)	(235,548)
Debt securities	-	-	(5,163)	(5,163)	-	(5,163)
	-	-	(200,251)	(200,251)	(41,163)	(241,414)
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	-	(843)	(1,664)	(2,507)	-	(2,507)
	-	(90,119)	(128,065)	(218,184)	(36,999)	(255,183)
Current and deferred tax assets	-	26,150	(181,622)	(155,472)	6,888	(148,584)
Total impact	-	(63,969)	(309,687)	(373,656)	(30,111)	(403,767)
Equity as at 1 January 2018 - After IFRS 9	5,932,554	18,121	(243,516)	5,707,159	1,068,810	6,775,969

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)	(235,548)	45,127,027
Debt securities	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	-	(2,507)	568,855
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	-	(389,053)	71,550,397
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	(373,656)	(225,395)
Net income for the year attributable to Bank's Shareholders	186,391	(186,391)	-	-
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,080,815	-	(373,656)	5,707,159
Non-controlling interests	1,098,921	-	(30,111)	1,068,810
TOTAL EQUITY	7,179,736	-	(403,767)	6,775,969
TOTAL LIABILITIES AND EQUITY	71,939,450	-	(389,053)	71,550,397

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	45,127,027
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	263,397
Financial assets at amortised cost - Debt securities	Amortised cost	2,007,520	Financial assets at amortised cost - Debt securities	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	411,799	Financial assets at amortised cost - Debt securities	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 securities	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 were 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)	-	-	(235,548)	(235,548)
Final balance in IFRS 9		45,625,972	(263,397)	(235,548)	45,127,027
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	(243,592)	51,595,426

(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)

		Financial assets at fair value through profit or loss (FVTPL)			
	Notes	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 resulting from the application of the concept of expected loss 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 and at amortised cost.

(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 and participation units in funds that do not fall within the definition of equity instruments: 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	235,548	3,523,102
Debt securities	42,886	-	5,163	48,049
Total	3,321,932	8,508	241,414	3,571,854
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt securities	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt securities	88,796	(83,646)	6,496	11,646
Commitments and financial guarantees issued	324,158	-	14,714	338,872
Total	3,734,886	(75,138)	262,624	3,922,372

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt securities) in the negative amount of Euros 83,646,000, refers to the write-off of impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

60. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 December 2018, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % 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	64,500,000	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	1,000,000	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	31,000,785	EUR	Financial	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Financial	100.0	50.1	–
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, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	12,106,743	EUR	Real-estate management	100.0	100.0	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0	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	E-commerce	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	–
Piast Expert Sp. z o.o	Tychy	100,000	PLN	Marketing services	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	90.0	90.0	–
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	50,000	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	–
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
Planfipsa S.G.P.S., S.A. (**)	Belas	10,252,000	EUR	Holding company	51.0	51.0	51.0
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.
(**) - Discontinuing companies

As at 31 December 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:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	99,038,784	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	4,353,444	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	97,894,785	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	6,664,172	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

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	73,333,000	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	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	10,170,000	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 31 December 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 31 December 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 31 December 2018, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	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 except clothing	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	Consulting	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 31 December 2018 the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	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	–

During 2018, were included in the consolidation perimeter the subsidiaries Cold River's Homestead, S.A. and Planfipsa Group as well as the associated company Projepolska, S.A. and Banco Comercial Português, S.A. proceeded to the merger by incorporation of the real estate companies Sadamora - Investimentos Imobiliários, S.A. and Enerparcela - Empreendimentos Imobiliários, S.A..

The Group also liquidated the entities bcp holdings (usa), Inc., S & P Reinsurance Limited and ACT-C-Indústria de Cortiças, S.A.

61. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Issue of perpetual subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as additional Tier 1 core capital instrument ("Additional Tier 1" or "AT1").

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million (Euros 193 million). The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Accounts and Notes to the 2018 Individual Accounts

SEPARATE INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
Interest and similar income	2	950,530	1,013,310
Interest expense and similar charges	2	(171,625)	(219,101)
NET INTEREST INCOME		778,905	794,209
Dividends from equity instruments	3	223,351	73,197
Net fees and commissions income	4	448,473	433,256
Net gains / (losses) from foreign exchange	5	24,512	51,279
Net gains / (losses) from hedge accounting operations	5	1,364	(14,836)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(48,382)	(10,273)
Net gains / (losses) from financial operations at fair value through profit or	5	(39,289)	(350)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	12,895	n.a.
Net gains / (losses) from financial assets available for sale	5	n.a.	116,565
Other operating income / (loss)	6	(36,673)	(25,699)
TOTAL OPERATING INCOME		1,365,156	1,417,348
Staff costs	7	376,879	325,409
Other administrative costs	8	229,887	235,803
Amortisations and depreciations	9	32,441	28,993
TOTAL OPERATING EXPENSES		639,207	590,205
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		725,949	827,143
Impairment for financial assets at amortised cost	10	(387,155)	(533,296)
Impairment for financial assets at fair value through other comprehensive income	11	788	n.a.
Impairment for financial assets available for sale	11	n.a.	(70,310)
Impairment for other assets	12	(214,591)	(132,597)
Other provisions	13	(60,544)	(50,491)
NET OPERATING INCOME		64,447	40,449
Gains / (losses) arising from sales of subsidiaries and other assets	14	30,929	21,419
NET INCOME / (LOSS) BEFORE INCOME TAXES		95,376	61,868
Income taxes			
Current	28	(3,199)	(2,489)
Deferred	28	(32,910)	58,642
NET INCOME FOR THE YEAR		59,267	118,021
Earnings per share (in Euros)			
Basic	15	0.004	0.009
Diluted	15	0.004	0.009

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
NET INCOME FOR THE YEAR		59,267	118,021
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		2,514	n.a.
Reclassification of (gains) / losses to profit or loss		(12,895)	n.a.
Available-for-sale financial assets			
Gains / (losses) for the year		n.a.	292,449
Reclassification of (gains) / losses to profit or loss		n.a.	(116,565)
Financial assets held to maturity instruments			
Gains / (losses) for the year		n.a.	252
Cash flows hedging			
Gains / (losses) for the year		87,464	(51,124)
Fiscal impact		(24,127)	(37,436)
		52,956	87,576
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the year		(959)	n.a.
Changes in credit risk of financial liabilities at fair value through profit or loss		2,193	n.a.
Actuarial gains / (losses) for the year	46	(97,406)	28,899
Fiscal impact		(8,286)	(44,741)
		(104,458)	(15,842)
Other comprehensive income / (loss) for the year		(51,502)	71,734
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,765	189,755

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
ASSETS			
Cash and deposits at Central Banks	16	1,682,922	1,291,663
Loans and advances to credit institutions repayable on demand	17	186,477	156,460
Financial assets at amortised cost			
Loans and advances to credit institutions	18	2,044,730	1,254,472
Loans and advances to customers	19	30,988,338	31,349,425
Debt securities	20	2,641,291	2,007,520
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	695,752	770,639
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,589,899	n.a.
Financial assets designated at fair value through profit or loss	21	33,034	142,336
Financial assets at fair value through other comprehensive income	21	6,996,892	n.a.
Financial assets available for sale	21	n.a.	6,692,982
Financial assets held to maturity	22	n.a.	342,785
Hedging derivatives	23	92,891	18,804
Investments in subsidiaries and associated companies	24	3,147,973	3,370,361
Non-current assets held for sale	25	1,252,654	1,480,112
Other tangible assets	26	220,171	217,101
Intangible assets	27	29,683	21,409
Current tax assets		18,375	7,208
Deferred tax assets	28	2,782,536	3,018,508
Other assets	29	946,549	1,434,731
TOTAL ASSETS		55,350,167	53,576,516
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	30	8,372,537	7,825,051
Resources from customers	31	34,217,917	32,135,035
Non subordinated debt securities issued	32	1,198,767	1,440,628
Subordinated debt	33	825,624	1,021,541
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	34	295,695	381,380
Financial liabilities at fair value through profit or loss	35	3,603,647	3,843,645
Hedging derivatives	23	68,486	112,352
Provisions	36	313,868	269,057
Current tax liabilities		1,620	1,269
Other liabilities	37	860,843	617,291
TOTAL LIABILITIES		49,759,004	47,647,249
EQUITY			
Share capital	38	4,725,000	5,600,738
Share premium	38	16,471	16,471
Other equity instruments	38	2,922	2,922
Legal and statutory reserves	39	264,608	252,806
Reserves and retained earnings	40	522,895	(61,691)
Net income for the year		59,267	118,021
TOTAL EQUITY		5,591,163	5,929,267
		55,350,167	53,576,516

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018	2017 (*)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	879,972	980,099
Commissions received	601,125	557,616
Fees received from services rendered	57,851	53,230
Interests paid	(183,261)	(227,797)
Commissions paid	(102,213)	(96,479)
Recoveries on loans previously written off	9,371	14,067
Payments (cash) to suppliers and employees	(699,393)	(646,999)
Income taxes (paid) / received	(1,014)	2,073
	562,438	635,810
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(792,579)	241,224
Loans and advances to customers receivable / (granted)	(433,205)	136,278
Short term trading account securities	25,050	28,689
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	58,957	64,665
Deposits from credit institutions with agreed maturity date	511,420	(1,969,719)
Loans and advances to customers repayable on demand	2,637,611	2,240,921
Deposits from customers with agreed maturity date	(848,892)	(1,089,194)
	1,720,800	288,674
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	99,000	714,111
Acquisition of shares in subsidiaries and associated companies	(47,000)	(649,734)
Dividends received	223,351	73,197
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	63,314	n.a.
Sale of financial assets at fair value through other comprehensive income and at amortised cost	5,043,584	n.a.
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(8,744,413)	n.a.
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,609,212	n.a.
Interest income from financial assets available for sale and financial assets held to maturity	n.a.	88,673
Sale of financial assets available for sale and financial assets held to maturity	n.a.	5,970,593
Acquisition of financial assets available for sale and financial assets held to maturity	n.a.	(6,676,995)
Maturity of financial assets available for sale and financial assets held to maturity	n.a.	363,497
Acquisition of tangible and intangible assets	(46,750)	(45,196)
Sale of tangible and intangible assets	97	883
Decrease / (increase) in other sundry assets	520,059	(160,425)
	(1,279,546)	(321,396)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	-	300,000
Reimbursement of subordinated debt	(91,460)	(701,920)
Issuance of debt securities	379,962	1,139,682
Reimbursement of debt securities	(437,711)	(1,680,978)
Issuance of commercial paper and other securities	23,204	188,076
Reimbursement of commercial paper and other securities	(108,930)	(9,674)
Share capital increase	-	1,295,148
Increase / (decrease) in other sundry liabilities	214,957	(152,817)
	(19,978)	377,517
Net changes in cash and equivalents	421,276	344,795
Cash (note 16)	337,534	335,912
Deposits at Central Banks (note 16)	954,129	454,821
Loans and advances to credit institutions repayable on demand (note 17)	156,460	312,595
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,448,123	1,103,328
Cash (note 16)	355,745	337,534
Deposits at Central Banks (note 16)	1,327,177	954,129
Loans and advances to credit institutions repayable on demand (note 17)	186,477	156,460
CASH AND EQUIVALENTS AT THE END OF THE YEAR	1,869,399	1,448,123

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	2,922	245,875	(151,849)	69,308	4,451,545
Net income for the year	-	-	-	-	-	118,021	118,021
Other comprehensive income	-	-	-	-	71,734	-	71,734
TOTAL COMPREHENSIVE INCOME	-	-	-	-	71,734	118,021	189,755
Results aplications:							
Legal reserve (note 39)	-	-	-	6,931	-	(6,931)	-
Transfers for Reserves and retained earnings	-	-	-	-	62,377	(62,377)	-
Share capital increase (note 38)	1,331,920	-	-	-	-	-	1,331,920
Costs related to the share capital increase	-	-	-	-	(36,772)	-	(36,772)
Tax related to costs arising from the share capital increase (a)	-	-	-	-	(8,264)	-	(8,264)
Other reserves	-	-	-	-	1,083	-	1,083
BALANCE AS AT 31 DECEMBER 2017 (*)	5,600,738	16,471	2,922	252,806	(61,691)	118,021	5,929,267
Transition adjustments IFRS 9 (note 52)							
Gross value	-	-	-	-	(174,559)	-	(174,559)
Taxes	-	-	-	-	(170,648)	-	(170,648)
	-	-	-	-	(345,207)	-	(345,207)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	2,922	252,806	(406,898)	118,021	5,584,060
Net income for the year	-	-	-	-	-	59,267	59,267
Other comprehensive income	-	-	-	-	(51,502)	-	(51,502)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(51,502)	59,267	7,765
Results aplications:							
Legal reserve (note 39)	-	-	-	11,802	-	(11,802)	-
Transfers for Reserves and retained earnings	-	-	-	-	106,219	(106,219)	-
Share capital reduction (note 38)	(875,738)	-	-	-	875,738	-	-
Costs related to the share capital increase	-	-	-	-	(41)	-	(41)
Dividends from other equity instruments	-	-	-	-	(149)	-	(149)
Merger reserve (Enerparcela and Sadamora)	-	-	-	-	(472)	-	(472)
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	2,922	264,608	522,895	59,267	5,591,163

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. 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 52).

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

1. Accounting Policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these separate financial statements reflect the results of the operations of the Bank for the years ended 31 December 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. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Bank's separate financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'), since 2016. 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 separate financial statements presented were approved on 23 April 2019 by the Bank's Board of Directors. 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.

The separate financial statements for the year ended 31 December 2018 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

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

A1. Comparative information

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2018. The accounting policies 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 52. No significant impacts on the separate 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 52. The balances included in the financial statements for 31 December 2017 are presented exclusively for comparative purposes.

The Bank's financial statements are prepared under the going concern assumption and 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.Y.

B. Financial instruments (IFRS 9)

As described in note A. Basis of Presentation, the Bank 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 Bank did not adopt any of the requirements of IFRS 9 in prior periods.

As permitted by the transitional provisions of IFRS 9, the Bank 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 was disclosed in the previous period.

The accounting policies in force after the adoption of IFRS 9 on 1 January 2018 applicable to the Bank's separate financial statements as at 31 December 2018, are described below. The accounting policies applicable to the comparative period (in IAS 39) are described in Note 1.C

B1. Financial assets

B1.1. 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank 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.

B1.1. 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 Bank 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 B1.5), 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 B3.

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

B1.1. 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 occurs 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 Bank may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). 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 B1.5.). 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 B3.

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.

B1.1. 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 Bank 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 Bank 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 an 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 Bank 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 Bank 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".

B1.2. 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.

B1.3. Modification and derecognition of financial assets

General principles

i) The Bank 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 Bank 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 Bank 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 Bank to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- The Bank 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 Bank 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 Bank 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 Bank retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset.

- if the Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank prove to be fruitless. Loans written off are recorded in off-balance sheet accounts.

B1.4. 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 B1.3) 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).

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

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

B1.5.1. 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).

B1.5.1. 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).

B1.5.1. 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).

B1.5.2. 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 Bank 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 B1.5.3) but are not impaired (note B1.5.4). 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.

B1.5.3. 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.

B1.5.4. 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.

B1.5.5. Estimates of expected credit losses - Individual analysis

1. Clients who are in one of the following conditions are subject to individual analysis:

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

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 Bank 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:

- Bank'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 12 months 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.

B1.5.6. 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 Bank'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 Bank 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 Bank 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 Bank expects to receive;
- Financial guarantees: the current value of the expected repayments less the amounts that the Bank 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.

Bank 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 Bank 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 Bank 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 Bank 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 Bank has the right to require payment or end the commitment or guarantee.

The Bank 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 Bank 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.

B2. Financial liabilities

B2.1. 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.

B2.1.1. 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 Bank 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 Bank 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.

B2.1.2. 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 B1.5;
- 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".

B2.1.3. 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.

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

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

B3. 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 Bank 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.

B4. Hedge accounting

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

The Bank 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 Bank. 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.

B4.1. 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.

B4.2. 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.

B4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, effectiveness has to be demonstrated. As such, the Bank 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.

B4.4. 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.

B5. 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 B1.1.3.

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.

C. Financial instruments (IAS39)

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

C1. Loans and advances to customers

The balances Loans and advances to customers included loans and advances originated by the Bank 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 Bank have expired; or (ii) the Bank 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.

C1.1. Impairment

The Bank’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 Bank 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:

- Bank’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 C1.1).

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 Bank.

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 Bank'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.

C2. Financial instruments

C2.1 Classification, initial recognition and subsequent measurement

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

C2.1.1. Financial assets and liabilities at fair value through profit and loss

C2.1.1.1. 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) on financial operations".

The interest from debt instruments were 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".

C2.1.1.2. Other financial assets and liabilities at fair value through profit and loss (“Fair Value Option”)

The Bank 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 Bank's credit risk related to financial liabilities accounted under the Fair Value Option were disclosed in “Net gains / (losses) on financial operations” (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 were managed, evaluated and reported internally at its fair value;
- the designation eliminated or significantly reduced the accounting mismatch of the transactions;
- the financial assets and liabilities included derivatives that significantly changed the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Bank in the normal course of its business were in market conditions, the financial instruments at fair value through profit or loss (assets and liabilities) 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 were recorded in "Net gains / (losses) on financial operations" (note 5). The accrual of interest and the premium / discount (when applicable) was 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.

C2.1.2. Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Bank, 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.

C2.1.3. 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 Bank 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 Bank 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.

C2.1.4. 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 Bank did not intend to sell immediately or in a near future, should be classified in this category.

In addition to loans granted, the Bank 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.

C2.1.5. 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.

C2.2. 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 Bank'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).

C2.3. 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.

C2.4. 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 they were no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), if some requirements were met. The Bank 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.

C2.5. 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 Bank 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 was 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 were 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 was a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that were not covered by collaterals were written-off from the Bank's financial statements and were recognised only when received, in accordance with IAS 18, on the basis that its recoverability was 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).

D.Securitization operations

D1. Traditional securitizations

The Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 and No.4) which portfolios were accounted derecognized of the 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.

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 a Special Purpose Entities (SPE or SPV) with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

D2. Synthetic securitizations

The Bank 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.

E. 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 Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the Bank and dividends are paid at the discretion of the Bank.

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

F. Securities borrowing and repurchase agreement transactions

F1. 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).

F2. Repurchase agreements

The Bank 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.

G. Investments in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in the Bank's financial statements at its historical cost less any impairment losses.

Subsidiaries are entities controlled by the Bank (including structure entities and investment funds). The Bank 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).

Investments in associates

Associates are those entities in which the Bank has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank 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 Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

The recoverable amount of the investments in subsidiaries and associates is assessed annually, with reference to the end of the year or whenever exists any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair 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.

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 accordance with IFRS 5. In order for the sale to be considered highly probable, the Bank 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 Bank remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Bank 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.

H1. Non-operating real estate (INAE)

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

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.

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 Bank'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 1H).

I2. Operational leases

At the lessee's perspective, the Bank 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 Bank's separate 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 Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred under the principle of accrual-based accounting.

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

O2. Software

The Bank 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 Bank 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 Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Bank intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Bank, 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 at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. Defined benefit plans

The Bank 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 Bank had assumed the responsibility, if certain conditions were verified in each year, of assigning complementary benefits to the Bank's employees hired before 21 September, 2006 (Complementary Plan). The Bank 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 Bank 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 Bank 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 Projected Unit Credit 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 Bank 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 Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”, the Portuguese Insurance and Pension Funds Supervision Authority), 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 Bank’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 Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Bank’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 Bank, 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 Bank 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 descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Bank 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 Bank's employees are recognised as expenses when incurred.

As at 31 December 2018, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank'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 Bank 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 31 December 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 Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code ("CIRC"), the Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014 of 26 August, to which it adhered, and individual legislation. 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 at fair value through other comprehensive income 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 by authorities 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 Bank, 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 released 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, the Bank adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2017 and 2018, the RETGS application was maintained.

U. Segmental reporting

The Bank adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating and geographic segments. A business segment is a Bank'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.

Taking into consideration that the separate financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, the Bank is dismissed to present separate information regarding Segmental Reporting.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when (i) the Bank 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 not 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 Bank 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 Bank; 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 Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank 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 or reinsurance intermediation services

The Banco Comercial Português is an entity 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 No. 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the Bank performs the sale of insurance contracts. As compensation for services rendered for insurance intermediation, receives 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".

Y. 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 Bank'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 Bank's reported results would differ if a different treatment was chosen. The Executive Committee, believes that the choices made are appropriate and that the financial statements present the Bank'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.

Y1. Income taxes

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 Bank recorded provisions or deferred tax liabilities in the amount deemed adequate to face corrections to tax or to tax losses carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the Portuguese tax authorities.

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 2019 are not defined, since the reference to the Bank of Portugal Notice No. 3/95, provided for in Regulatory Decree No. 13/2018, of 28 December, is only applicable for the taxation period of 2018, and the regime applicable from 1 January 2019 has not yet been defined.

In the projections of future taxable income, namely for the purposes of the analysis of recoverability of deferred tax assets carried out with reference to 31 December 2018, the tax rules in force in 2018 were taken into consideration, identical to those in force in the periods of 2015, 2016 and 2017, and that by means of Decree-Laws published at the end of each of those years, established that the limits set forth in Bank of Portugal Notice No. 3/95 and other specific rules should be considered for the purposes of calculating the maximum amounts of losses 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.

Y2. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

Y3. 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 rates, mortality tables, 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 yields 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.

Y4. Financial instruments – IFRS 9

Y4.1. 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 Bank 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 Bank 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 Bank 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.

Y4.2. 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 Bank 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 Bank 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 Bank 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.

Y4.3. 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.

Y5. Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

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, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Bank.

Z. 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 separate financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(1,213)	(916)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	18,568	16,800
Loans and advances to customers	772,993	817,562
Debt instruments	46,593	48,478
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,611	2,685
Derivatives associated to financial instruments at fair value through profit or loss	14,149	15,865
Financial assets not held for trading mandatorily at fair value through profit or loss	5,900	n.a.
Financial assets designated at fair value through profit or loss	2,191	3,422
Interest on financial assets at fair value through other comprehensive income	47,540	n.a.
Interest on financial assets available for sale	n.a.	76,639
Interest on financial assets held to maturity	n.a.	7,172
Interest on hedging derivatives	34,532	20,518
Interest on other assets	7,666	5,085
	950,530	1,013,310
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(18,713)	(10,249)
Resources from customers	(58,908)	(66,788)
Non subordinated debt securities issued	(19,163)	(56,471)
Subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	-	(6,343)
Others	(39,775)	(40,735)
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	(3,242)	(5,223)
Financial liabilities at fair value through profit or loss		
Resources from customers	(13,175)	(13,113)
Non subordinated debt securities issued	(5,963)	(11,354)
Interest on hedging derivatives	(11,017)	(7,514)
Interest on other liabilities	(1,669)	(1,311)
	(171,625)	(219,101)
	778,905	794,209

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 36,122,000 (2017: Euros 35,511,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3 (2017: note 1 C2).

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 10,722,000 and 7.919.000 respectively (2017: Euros 30,426,000 and 6.175.000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3 (2017: nota 1 C2).

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 75,635,000 (2017: Euros 96,664,000) related to interest income arising from customers with signs of impairment.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt instruments include the amounts of Euros 31,026,000 (note 19) and Euros 211,000 (note 20), 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)

	2018	2017
Dividends from financial assets through other comprehensive income	86	n.a.
Dividends from financial assets available for sale	n.a.	1,399
Dividends from subsidiaries and associated companies	223,265	71,798
	223,351	73,197

The balances Dividends from financial assets through other comprehensive income in 2018 and Dividends from financial assets available for sale in 2017 include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2018, the amounts of Euros 133,300,000, Euros 45,080,000, and Euros 22,945,000 related to the distribution of dividends from company BCP Investment B.V., the Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group) and the company Banco de Investimento Imobiliário, S.A., respectively. The balance Dividends from subsidiaries and associated companies includes as of 31 December 2017, the amounts of Euros 14,860,000, and Euros 4,444,000, related to the distribution of dividends from the company Banco de Investimento Imobiliário, S.A., and Interfundos Gestão de Fundos de Investimento Imobiliários, S.A., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Fees and commissions received		
From guarantees	47,263	50,303
From commitments	4,352	4,465
From banking services	325,093	287,714
From securities operations	62,486	61,002
From management and maintenance of accounts	94,830	92,503
From other commissions	27,937	25,737
	561,961	521,724
Fees and commissions paid		
From guarantees received provided by third parties	(8,006)	(8,087)
From banking services	(77,615)	(56,088)
From securities operations	(6,117)	(5,814)
From other commissions	(21,750)	(18,479)
	(113,488)	(88,468)
	448,473	433,256

The balance Fees and commissions received - From banking services includes the amount of Euros 81,143,000 (31 December 2017: Euros 77,812,000) related to insurance mediation commissions, as referred in note 47 C).

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	(118,428)	83,088
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(29,532)	n.a.
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	108,671	(83,438)
	(39,289)	(350)
Net gains / (losses) from foreign exchange	24,512	51,279
Net gains / (losses) from hedge accounting	1,364	(14,836)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(48,382)	(10,273)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	12,895	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	116,565
	(48,900)	142,385

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

(Thousands of euros)

	2018	2017
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	10,141	4,417
Equity instruments	947	913
Derivative financial instruments	231,942	412,200
Other operations	1,336	8,535
	244,366	426,065
Losses		
Debt securities portfolio	(6,408)	(1,109)
Equity instruments	(1,436)	(304)
Derivative financial instruments	(353,593)	(340,544)
Other operations	(1,357)	(1,020)
	(362,794)	(342,977)
	(118,428)	83,088
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	45,799	n.a.
Losses		
Debt securities portfolio	(75,331)	n.a.
	(29,532)	n.a.

(Thousands of euros)

	2018	2017
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	5,324	61
Debt securities issued		
Certificates and structured securities issued	127,029	51,114
Other debt securities issued	23,725	3,989
	156,078	55,164
Losses		
Debt securities portfolio	(6,404)	(4,329)
Resources from customers	-	(7,758)
Debt securities issued		
Certificates and structured securities issued	(40,265)	(124,426)
Other debt securities issued	(738)	(2,089)
	(47,407)	(138,602)
	108,671	(83,438)
	(39,289)	(350)

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

(Thousands of euros)

	2018	2017
Net gains / (losses) from foreign exchange		
Gains	77,453	262,349
Losses	(52,941)	(211,070)
	24,512	51,279
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	66,430	93,653
Hedged items	21,338	7,373
	87,768	101,026
Losses		
Hedging derivatives	(81,917)	(98,772)
Hedged items	(4,487)	(17,090)
	(86,404)	(115,862)
	1,364	(14,836)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	5,289	13,093
Debt securities issued	25	361
	5,314	13,454
Losses		
Credit sales	(53,696)	(23,394)
Debt securities issued	-	(333)
	(53,696)	(23,727)
	(48,382)	(10,273)

(Thousands of euros)

	2018	2017
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	23,250	n.a.
Losses		
Debt securities portfolio	(10,355)	n.a.
	12,895	n.a.
Net gains / (losses) from financial assets available for sale		
Gains		
Debt securities portfolio	n.a.	95,454
Equity instruments	n.a.	29,431
	n.a.	124,885
Losses		
Debt securities portfolio	n.a.	(1,637)
Equity instruments	n.a.	(6,683)
	n.a.	(8,320)
	n.a.	116,565
	(9,611)	142,735

In 2018, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 11,670,000 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 35,003,000.

In 2018, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 3,255,000 as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income (2017: Euros 17,894,000 registered in Net gains / (losses) from financial astes available for sale).

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Operating income		
Income from services	25,506	26,777
Cheques and others	9,021	9,948
Gains on leasing operations	3,406	6,003
Rents	1,702	1,189
Other operating income	13,559	13,820
	53,194	57,737
Operating costs		
Taxes	(11,905)	(13,777)
Donations and contributions	(2,971)	(3,154)
Contribution over the banking sector	(30,422)	(28,011)
Resolution Funds Contribution	(11,151)	(7,684)
Contribution for the Single Resolution Fund	(19,926)	(17,167)
Contributions to Deposit Guarantee Fund	(95)	(87)
Losses on financial leasing operations	-	(994)
Other operating costs	(13,397)	(12,562)
	(89,867)	(83,436)
	(36,673)	(25,699)

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 Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the 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 on the basis of 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 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 take into account 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) 2015/63 and European Parliament and of the Council Regulation (EU) 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 Bank delivered the amount of Euros 19,926,000 (2017: Euros 17,167,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 23,442,000 (2017: Euros 20,197,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,516,000 (2017: Euros 3,029,000), 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)

	2018	2017
Remunerations	276,395	257,225
Mandatory social security charges		
Post-employment benefits (note 46)		
Service cost	(15,472)	(16,054)
Cost / (income) in the liability coverage balance	3,046	4,536
Cost with early retirement programs	19,302	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,451)
Collective Labour Agreement	-	(39,436)
	6,496	(38,448)
Other mandatory social security charges	75,510	82,674
	82,006	44,226
Voluntary social security charges	9,046	7,311
Other staff costs	9,432	16,647
	376,879	325,409

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2018	2017
Top Management	968	972
Intermediary Management	1,620	1,645
Specific/Technical functions	2,859	2,887
Other functions	1,525	1,622
	6,972	7,126

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Outsourcing and independent labour	91,186	96,374
Rents and leases	27,717	28,004
Other specialised services	12,883	13,315
Communications	11,307	12,147
Information technology services	14,650	12,668
Maintenance and related services	7,528	8,499
Water, electricity and fuel	9,178	10,194
Advertising	9,487	10,057
Advisory services	14,289	14,134
Transportation	7,175	6,572
Legal expenses	5,326	5,513
Travel, hotel and representation costs	4,977	4,359
Insurance	2,685	3,107
Consumables	2,076	2,340
Credit cards and mortgage	1,247	1,622
Training costs	1,915	1,530
Other supplies and services	6,261	5,368
	229,887	235,803

The balance Rents includes the amount of Euros 25,741,000 (2017: Euros 26,428,000) related to rents paid regarding buildings used by the Bank as lessee.

In accordance with accounting policy 1H), under IAS 17, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2018			2017		
	Properties	Vehicles	Total	Properties	Vehicles	Total
Until 1 year	16,484	95	16,579	17,601	206	17,807
1 to 5 years	11,102	76	11,178	9,418	171	9,589
Over 5 years	6,129	-	6,129	5,359	-	5,359
	33,715	171	33,886	32,378	377	32,755

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank, currently in fucntions, and by companies in its network as part of its statutory audit functions, as well as other services, are as follows:

(Thousands of euros)

	2018	2017
Auditing services		
Legal certification	1,920	1,581
Other assurance services	1,254	1,159
Other services	416	985
	3,590	3,725

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Intangible assets amortisations (note 27):		
Software	9,274	7,122
Other tangible assets depreciations (note 26):		
Properties	9,689	9,746
Equipment		
Furniture	1,407	1,217
Machinery	293	231
Computer equipment	6,960	5,881
Interior installations	1,353	1,053
Motor vehicles	2,354	2,533
Security equipment	1,106	1,206
Other equipment	5	4
	23,167	21,871
	32,441	28,993

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions (note 18):		
Charge for the year	1,383	-
Reversals for the year	(128)	-
	1,255	-
Loans and advances to customers (note 19):		
Charge for the year	460,589	622,018
Reversals for the year	(57,643)	(85,171)
Recoveries of loans and interest charged-off	(9,371)	(14,067)
	393,575	522,780
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	-	10,516
Reversals for the year	(6,121)	-
	(6,121)	10,516
Not associated to credit operations		
Reversals for the year	(1,554)	n.a.
	(7,675)	10,516
	387,155	533,296

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)

	2018	2017
Impairment for financial assets at fair value through other comprehensive income		
Charge for the year	2,991	n.a.
Reversals for the year	(3,779)	n.a.
	(788)	n.a.
Impairment for financial assets available for sale (note 21)		
Charge for the year	n.a.	70,310
	(788)	70,310

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Impairment for investments in associated companies (nota 24)		
Charge for the year	177,104	42,997
Impairment for non-current assets held for sale (note 25)		
Charge for the year	32,375	93,027
Impairment for other assets (note 29)		
Charge for the year	6,544	16,827
Reversals for the year	(1,432)	(20,254)
	5,112	(3,427)
	214,591	132,597

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Provision for guarantees and other commitments (note 36)		
Charge for the year	41,462	4,449
Write-back for the year	(36)	(52)
	41,426	4,397
Other provisions for liabilities and charges (note 36)		
Charge for the year	19,142	46,094
Write-back for the year	(24)	-
	19,118	46,094
	60,544	50,491

14. Gains / (losses) arising from sales of subsidiaries and other assets

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Sale of subsidiaries	1,733	7,311
Sale of other assets	29,196	14,108
	30,929	21,419

The balance Sale of other assets corresponds to the gains and losses arising from the sale and revaluation of assets held by the Bank and classified as non-current assets held for sale (note 25).

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2018	2017
Net income / (loss) for the year	59,267	118,021
Adjusted net income / (loss)	59,267	118,021
Average number of shares	15,113,989,952	13,321,460,739
Basic earnings per share (Euros)	0.004	0.009
Diluted earnings per share (Euros)	0.004	0.009

The Bank's share capital, as at 31 December 2018, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominate shares, without nominal value, which is fully paid (note 38).

As referred in note 44, pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value (note 38).

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

16. Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Cash	355,745	337,534
Central Banks	1,327,177	954,129
	1,682,922	1,291,663

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

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Credit institutions in Portugal	273	312
Credit institutions abroad	100,536	30,480
Amounts due for collection	85,668	125,668
	186,477	156,460

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.

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions in Portugal		
Very short-term applications	-	39,742
Loans	47,911	39,220
Purchase transactions with resale agreement	1,506,092	379,705
Subordinated applications	35,010	35,011
Other applications	1,659	10,328
	1,590,672	504,006
Loans and advances to credit institutions abroad		
Very short-term applications	-	388,327
Short-term applications	242,109	86,641
Other applications and operations	213,130	274,837
	455,239	749,805
	2,045,911	1,253,811
Overdue loans - over 90 days	669	661
	2,046,580	1,254,472
Impairment for loans and advances to credit institutions	(1,850)	-
	2,044,730	1,254,472

The caption Other loans and advances to credit institutions - Purchase transactions with resale agreement refers in its entirety to operations with Banco de Investimento Imobiliário, S.A.

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

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions in Portugal		
Other applications	430	1,010
Loans and advances to credit institutions abroad		
Other applications	194,100	269,284
	194,530	270,294

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 Bank.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2018	2017
Up to 3 months	499,597	827,992
3 to 6 months	13,000	479
6 to 12 months	26,587	-
1 to 5 years	1,506,727	410,340
Over 5 years	-	15,000
Undetermined	669	661
	2,046,580	1,254,472

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

(Thousands of euros)

	2018	2017
Balance on 1 January	-	-
Adjustments due to the implementation of IFRS 9 (note 52)	703	-
Impairment charge for the year (note 10)	1,383	-
Reversals for the year (note 10)	(128)	-
Loans charged-off	(108)	-
Balance at the end of the year	1,850	-

19. Loans and advances to customers

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

(Thousands of euros)

	2018	2017
Discounted bills	249,139	228,752
Current account credits	1,366,648	1,503,893
Overdrafts	388,603	536,409
Loans	9,729,298	10,065,178
Mortgage loans	15,833,481	15,506,736
Factoring operations	1,863,179	1,601,595
Finance leases	2,271,961	2,159,121
	31,702,309	31,601,684
Overdue loans - less than 90 days	48,665	43,539
Overdue loans - Over 90 days	1,530,850	2,446,446
	33,281,824	34,091,669
Impairment for credit risk	(2,293,486)	(2,742,244)
	30,988,338	31,349,425

The balance Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	598,007	1	598,008	(1,336)	596,672
Asset-backed loans	18,953,094	962,864	19,915,958	(1,491,170)	18,424,788
Other guaranteed loans	3,055,244	165,922	3,221,166	(250,860)	2,970,306
Unsecured loans	3,277,917	294,994	3,572,911	(257,351)	3,315,560
Foreign loans	1,682,907	113,660	1,796,567	(174,066)	1,622,501
Factoring operations	1,863,179	7,740	1,870,919	(27,771)	1,843,148
Finance leases	2,271,961	34,334	2,306,295	(90,932)	2,215,363
	31,702,309	1,579,515	33,281,824	(2,293,486)	30,988,338

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

(Thousands of euros)

	2017				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	713,433	47	713,480	(850)	712,630
Asset-backed loans	18,928,322	1,329,814	20,258,136	(1,823,087)	18,435,049
Other guaranteed loans	3,146,466	295,034	3,441,500	(336,327)	3,105,173
Unsecured loans	3,576,995	649,247	4,226,242	(342,019)	3,884,223
Foreign loans	1,475,752	148,849	1,624,601	(114,752)	1,509,849
Factoring operations	1,601,595	13,112	1,614,707	(20,981)	1,593,726
Finance leases	2,159,121	53,882	2,213,003	(104,228)	2,108,775
	31,601,684	2,489,985	34,091,669	(2,742,244)	31,349,425

As at 31 December 2018, the balance Loans and advances to customers includes the amount of Euros 11,415,253,000 (31 December 2017: Euros 11,163,389,000) regarding credits related to mortgage loans issued by the Bank.

The Bank, 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 , which include loans and advances to customers.

As referred in note 47, 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 38.

As at 31 December 2018, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 101,350,000 (31 December 2017: Euros 62,822,000), as referred in note 47 A). The amount of impairment recognised for these contracts amounts to Euros 744,000 (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)

	2018	2017
Amount of future minimum payments	2,637,129	2,486,723
Interest not yet due	(365,168)	(327,602)
Present value	2,271,961	2,159,121

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of euros)

	2018	2017
Up to 1 year	363,406	350,302
1 to 5 years	1,010,400	960,669
Over 5 years	1,263,323	1,175,752
	2,637,129	2,486,723

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2018	2017
Individuals		
Home	49,774	55,018
Consumer	30,937	28,122
Others	105,922	112,976
	186,633	196,116
Companies		
Equipment	420,825	352,503
Real estate	1,664,503	1,610,502
	2,085,328	1,963,005
	2,271,961	2,159,121

Regarding operational leasing, the Bank does not present relevant contracts as leasor.

The analysis of loans and advances to customers, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	263,971	7,348	271,319	(6,190)	265,129	0.82%
Fisheries	19,765	40	19,805	(644)	19,161	0.06%
Mining	36,101	2,463	38,564	(9,036)	29,528	0.12%
Food, beverage and tobacco	447,825	12,716	460,541	(10,900)	449,641	1.38%
Textiles	335,913	13,603	349,516	(21,390)	328,126	1.05%
Wood and cork	118,183	4,800	122,983	(4,513)	118,470	0.37%
Paper, printing and publishing	154,853	4,778	159,631	(17,608)	142,023	0.48%
Chemicals	410,247	37,358	447,605	(39,825)	407,780	1.34%
Machinery, equipment and basic metallurgical	612,441	37,621	650,062	(30,192)	619,870	1.95%
Electricity and gas	262,276	336	262,612	(755)	261,857	0.79%
Water	150,204	603	150,807	(10,371)	140,436	0.45%
Construction	1,319,627	313,319	1,632,946	(380,825)	1,252,121	4.91%
Retail business	862,113	71,138	933,251	(76,110)	857,141	2.80%
Wholesale business	1,104,710	58,427	1,163,137	(68,233)	1,094,904	3.49%
Restaurants and hotels	1,097,001	31,680	1,128,681	(77,426)	1,051,255	3.39%
Transports	706,814	11,049	717,863	(17,191)	700,672	2.16%
Post offices	2,290	135	2,425	(351)	2,074	0.01%
Telecommunications	177,598	5,590	183,188	(14,168)	169,020	0.55%
Services						
Financial intermediation	1,491,652	106,707	1,598,359	(373,751)	1,224,608	4.80%
Real estate activities	1,148,673	203,228	1,351,901	(146,857)	1,205,044	4.06%
Consulting, scientific and technical activities	1,218,963	22,696	1,241,659	(350,959)	890,700	3.73%
Administrative and support services activities	387,244	29,102	416,346	(71,293)	345,053	1.25%
Public sector	829,986	1	829,987	(1,336)	828,651	2.49%
Education	109,784	1,267	111,051	(7,007)	104,044	0.33%
Health and collective service activities	243,729	1,722	245,451	(3,220)	242,231	0.74%
Artistic, sports and recreational activities	282,078	5,915	287,993	(75,887)	212,106	0.87%
Other services	96,972	245,811	342,783	(175,649)	167,134	1.03%
Consumer loans	1,735,949	162,566	1,898,515	(137,229)	1,761,286	5.70%
Mortgage credit	15,602,096	97,900	15,699,996	(82,731)	15,617,265	47.19%
Other domestic activities	984	378	1,362	(302)	1,060	0.00%
Other international activities	472,267	89,218	561,485	(81,537)	479,948	1.69%
	31,702,309	1,579,515	33,281,824	(2,293,486)	30,988,338	100.00%

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

(Thousands of euros)

	2017					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	247,430	9,199	256,629	(13,226)	243,403	0.75%
Fisheries	17,734	236	17,970	(748)	17,222	0.05%
Mining	34,358	7,184	41,542	(10,300)	31,242	0.12%
Food, beverage and tobacco	399,562	14,617	414,179	(11,264)	402,915	1.21%
Textiles	338,808	24,266	363,074	(23,654)	339,420	1.06%
Wood and cork	125,260	10,245	135,505	(19,202)	116,303	0.40%
Paper, printing and publishing	123,842	5,710	129,552	(11,392)	118,160	0.38%
Chemicals	355,018	43,135	398,153	(35,916)	362,237	1.17%
Machinery, equipment and basic metallurgical	580,295	51,171	631,466	(37,071)	594,395	1.85%
Electricity and gas	289,169	-	289,169	(667)	288,502	0.85%
Water	161,430	3,784	165,214	(10,881)	154,333	0.48%
Construction	1,372,455	531,030	1,903,485	(469,631)	1,433,854	5.58%
Retail business	890,111	76,143	966,254	(61,686)	904,568	2.83%
Wholesale business	1,159,315	105,383	1,264,698	(88,453)	1,176,245	3.71%
Restaurants and hotels	945,985	52,631	998,616	(96,247)	902,369	2.93%
Transports	708,030	14,839	722,869	(16,583)	706,286	2.12%
Post offices	1,759	150	1,909	(277)	1,632	0.01%
Telecommunications	167,294	5,760	173,054	(14,861)	158,193	0.51%
Services						
Financial intermediation	1,667,527	237,808	1,905,335	(451,877)	1,453,458	5.59%
Real estate activities	1,075,272	344,070	1,419,342	(216,173)	1,203,169	4.16%
Consulting, scientific and technical activities	1,488,873	210,195	1,699,068	(483,601)	1,215,467	4.98%
Administrative and support services activities	371,329	26,099	397,428	(58,597)	338,831	1.17%
Public sector	851,239	47	851,286	(849)	850,437	2.50%
Education	113,486	2,340	115,826	(5,848)	109,978	0.34%
Health and collective service activities	258,407	2,149	260,556	(3,356)	257,200	0.76%
Artistic, sports and recreational activities	311,524	5,658	317,182	(78,179)	239,003	0.93%
Other services	102,528	248,641	351,169	(147,967)	203,202	1.03%
Consumer loans	1,668,394	251,266	1,919,660	(201,478)	1,718,182	5.63%
Mortgage credit	15,321,914	141,271	15,463,185	(138,487)	15,324,698	45.38%
Other domestic activities	15	5,050	5,065	(76)	4,989	0.01%
Other international activities	453,321	59,908	513,229	(33,697)	479,532	1.51%
	31,601,684	2,489,985	34,091,669	(2,742,244)	31,349,425	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2018 is as follows:

(Thousands of euros)

	2018						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	90,219	75,213	98,539	263,971	7,348	271,319	0.82%
Fisheries	7,097	4,077	8,591	19,765	40	19,805	0.06%
Mining	21,981	7,823	6,297	36,101	2,463	38,564	0.12%
Food, beverage and tobacco	288,071	94,332	65,422	447,825	12,716	460,541	1.38%
Textiles	160,712	88,220	86,981	335,913	13,603	349,516	1.05%
Wood and cork	62,438	34,430	21,315	118,183	4,800	122,983	0.37%
Paper, printing and publishing	86,169	20,306	48,378	154,853	4,778	159,631	0.48%
Chemicals	197,311	109,696	103,239	410,246	37,359	447,605	1.34%
Machinery, equipment and basic metallurgical	280,242	188,506	143,693	612,441	37,621	650,062	1.95%
Electricity and gas	24,026	48,959	189,291	262,276	336	262,612	0.79%
Water	18,300	11,538	120,366	150,204	603	150,807	0.45%
Construction	378,358	349,358	591,911	1,319,627	313,319	1,632,946	4.91%
Retail business	428,866	211,238	222,009	862,113	71,138	933,251	2.80%
Wholesale business	605,468	263,609	235,633	1,104,710	58,427	1,163,137	3.49%
Restaurants and hotels	61,391	278,602	757,008	1,097,001	31,680	1,128,681	3.39%
Transports	223,848	140,200	342,767	706,815	11,048	717,863	2.16%
Post offices	1,365	815	110	2,290	135	2,425	0.01%
Telecommunications	87,968	42,566	47,064	177,598	5,590	183,188	0.55%
Services							
Financial intermediation intermediation	195,140	312,179	984,332	1,491,651	106,708	1,598,359	4.80%
Real estate activities	249,140	249,874	649,659	1,148,673	203,228	1,351,901	4.06%
Consulting, scientific and technical activities	274,209	379,196	565,558	1,218,963	22,696	1,241,659	3.73%
Administrative and support services activities	167,335	112,752	107,157	387,244	29,102	416,346	1.25%
Public sector	120,850	409,470	299,666	829,986	1	829,987	2.49%
Education	34,590	18,377	56,817	109,784	1,267	111,051	0.33%
Health and collective service activities	96,659	62,042	85,028	243,729	1,722	245,451	0.74%
Artistic, sports and recreational activities	40,857	28,284	212,937	282,078	5,915	287,993	0.87%
Other services	25,582	33,286	38,104	96,972	245,811	342,783	1.03%
Consumer credit	493,443	559,301	683,206	1,735,950	162,565	1,898,515	5.70%
Mortgage credit	7,828	211,047	15,383,221	15,602,096	97,900	15,699,996	47.19%
Other domestic activities	152	409	423	984	378	1,362	0.00%
Other international activities	185,593	111,596	175,078	472,267	89,218	561,485	1.69%
	4,915,208	4,457,301	22,329,800	31,702,309	1,579,515	33,281,824	100.00%

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

(Thousands of euros)

	2017						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	71,640	69,556	106,234	247,430	9,199	256,629	0.75%
Fisheries	7,320	2,707	7,707	17,734	236	17,970	0.05%
Mining	13,615	15,098	5,645	34,358	7,184	41,542	0.12%
Food, beverage and tobacco	245,622	95,493	58,447	399,562	14,617	414,179	1.21%
Textiles	168,094	85,496	85,218	338,808	24,266	363,074	1.06%
Wood and cork	62,262	27,547	35,451	125,260	10,245	135,505	0.40%
Paper, printing and publishing	58,487	21,121	44,234	123,842	5,710	129,552	0.38%
Chemicals	146,360	96,968	111,690	355,018	43,135	398,153	1.17%
Machinery, equipment and basic metallurgical	243,993	192,910	143,392	580,295	51,171	631,466	1.85%
Electricity and gas	27,210	39,940	222,019	289,169	-	289,169	0.85%
Water	32,425	14,480	114,525	161,430	3,784	165,214	0.48%
Construction	484,835	190,164	697,456	1,372,455	531,030	1,903,485	5.58%
Retail business	467,256	202,929	219,926	890,111	76,143	966,254	2.83%
Wholesale business	697,676	284,614	177,025	1,159,315	105,383	1,264,698	3.71%
Restaurants and hotels	65,298	149,053	731,634	945,985	52,631	998,616	2.93%
Transports	218,016	144,043	345,971	708,030	14,839	722,869	2.12%
Post offices	906	778	75	1,759	150	1,909	0.01%
Telecommunications	73,659	46,488	47,147	167,294	5,760	173,054	0.51%
Services							
Financial intermediation intermediation	207,804	411,045	1,048,678	1,667,527	237,808	1,905,335	5.59%
Real estate activities	261,950	196,362	616,960	1,075,272	344,070	1,419,342	4.16%
Consulting, scientific and technical activities	604,795	516,885	367,193	1,488,873	210,195	1,699,068	4.98%
Administrative and support services activities	164,260	128,532	78,537	371,329	26,099	397,428	1.17%
Public sector	80,597	408,324	362,318	851,239	47	851,286	2.50%
Education	35,382	14,515	63,589	113,486	2,340	115,826	0.34%
Health and collective service activities	95,341	60,913	102,153	258,407	2,149	260,556	0.76%
Artistic, sports and recreational activities	38,575	34,961	237,988	311,524	5,658	317,182	0.93%
Other services	28,432	27,350	46,746	102,528	248,641	351,169	1.03%
Consumer credit	507,793	517,048	643,553	1,668,394	251,266	1,919,660	5.63%
Mortgage credit	12,143	194,894	15,114,877	15,321,914	141,271	15,463,185	45.38%
Other domestic activities	3	12	-	15	5,050	5,065	0.01%
Other international activities	155,186	219,606	78,529	453,321	59,908	513,229	1.51%
	5,276,935	4,409,832	21,914,917	31,601,684	2,489,985	34,091,669	100.00%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	80,731	34,940	482,336	598,007	1	598,008
Asset-backed loans	760,794	1,305,397	16,886,903	18,953,094	962,864	19,915,958
Other guaranteed loans	1,233,524	1,045,739	775,981	3,055,244	165,922	3,221,166
Unsecured loans	1,133,553	698,832	1,445,532	3,277,917	294,994	3,572,911
Foreign loans	155,737	408,732	1,118,438	1,682,907	113,660	1,796,567
Factoring operations	1,475,160	388,019	-	1,863,179	7,740	1,870,919
Finance leases	75,709	575,642	1,620,610	2,271,961	34,334	2,306,295
	4,915,208	4,457,301	22,329,800	31,702,309	1,579,515	33,281,824

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	27,271	39,522	646,640	713,433	47	713,480
Asset-backed loans	822,942	1,340,744	16,764,636	18,928,322	1,329,814	20,258,136
Other guaranteed loans	1,346,164	999,450	800,852	3,146,466	295,034	3,441,500
Unsecured loans	1,695,012	674,562	1,207,421	3,576,995	649,247	4,226,242
Foreign loans	140,633	508,971	826,148	1,475,752	148,849	1,624,601
Factoring operations	1,182,162	381,571	37,862	1,601,595	13,112	1,614,707
Finance leases	62,751	465,012	1,631,358	2,159,121	53,882	2,213,003
	5,276,935	4,409,832	21,914,917	31,601,684	2,489,985	34,091,669

The balance 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)

	31 December 2018	1 January 2018
Total credit	37,103,767	37,752,721
Stage 1		
Gross amount	24,822,341	25,109,594
Impairment	(26,669)	(32,122)
	24,795,672	25,077,472
Stage 2		
Gross amount	7,106,433	6,095,785
Impairment	(129,101)	(120,126)
	6,977,332	5,975,659
Stage 3		
Gross amount	5,174,993	6,547,342
Impairment	(2,301,079)	(2,867,971)
	2,873,914	3,679,371
	34,646,918	34,732,502

The Bank's 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 is analysed as follows:

(Thousands of euros)

	2017
Total credit	37,752,720
Loans and advances to customers with signs of impairment	
Individually significant	
Gross amount	4,668,344
Impairment	(2,263,860)
	2,404,484
Collective analysis	
Gross amount	2,140,655
Impairment	(539,632)
	1,601,023
Loans and advances to customers without signs of impairment	30,943,721
Impairment (IBNR)	(53,733)
	34,895,495

The total credit portfolio includes, as at 31 December 2018, loans and advances to customers in the amount of Euros 33,281,824,000 (31 December 2017: Euros: 34,091,669,000) and guarantees granted and commitments to third parties balance (note 41), in the amount of Euros 3,821,943,000 (31 December 2017: Euros 3,661,051,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 B1.5 (2017: note 1 C1.1), including the provision for guarantees and other commitments to third parties (note 36), in the amount of Euros 163,363,000 (31 December 2017: Euros 114,981,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the fair value of collaterals, is as follows:

(Thousands of euros)

	31 December 2018	1 January 2018
Stage 1		
Securities and other financial assets	1,457,913	1,422,982
Residential real estate	12,534,313	11,838,310
Other real estate	1,943,930	1,594,317
Other guarantees	3,458,849	3,254,960
	19,395,005	18,110,569
Stage 2		
Securities and other financial assets	286,281	297,151
Residential real estate	2,485,674	2,439,108
Other real estate	1,080,481	1,144,569
Other guarantees	657,722	540,070
	4,510,158	4,420,898
Stage 3		
Securities and other financial assets	377,235	521,993
Residential real estate	962,400	1,329,018
Other real estate	985,848	1,380,034
Other guarantees	458,333	705,726
	2,783,816	3,936,771
	26,688,979	26,468,238

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 the fair value of collaterals, is as follows:

(Thousands of euros)

	2017
Loans and advances to customers with impairment	
Individually significant	
Securities and other financial assets	489,336
Residential real estate	292,914
Other real estate	1,149,862
Other guarantees	631,526
	2,563,638
Collective analysis	
Securities and other financial assets	19,729
Residential real estate	1,092,011
Other real estate	194,229
Other guarantees	75,797
	1,381,766
Loans and advances to customers without impairment	
Securities and other financial assets	1,500,306
Residential real estate	14,200,331
Other real estate	2,548,958
Other guarantees	3,577,348
	21,826,943
	25,772,347

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 49), 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 Bank 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. In order 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 Bank 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)

	2018	2017
Agriculture and forestry	1,166	1,112
Fisheries	5	9
Food, beverage and tobacco	46	50
Textiles	1,081	189
Wood and cork	9	71
Paper, printing and publishing	-	4
Chemicals	26	48
Machinery, equipment and basic metallurgical	658	515
Construction	2,609	1,213
Retail business	1,285	1,388
Wholesale business	898	448
Restaurants and hotels	1,460	2,102
Transports	120	45
Telecommunications	28	40
Services		
Financial intermediation	124	211
Real estate activities	1,191	905
Consulting, scientific and technical activities	136	1,407
Administrative and support services activities	164	2,340
Education	13	-
Artistic, sports and recreational activities	107	118
Other services	129	27
Consumer credit	32,882	34,407
	44,137	46,649

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 23,498,000 (31 December 2017: Euros 21,244,000).

The Bank 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 Bank'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; With regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

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 31 December 2018, the amount calculated is Euros 2,451,122,000 (31 December 2017: Euros 3,782,038,000).

Every client or operation that meet the following conditions is marked and identified as Non Performing Exposures (NPE):

a) total exposure of defaulted customers;
b) total exposure of customers with signs of impairment;
c) total exposure of customers whose overdue value 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 31 December 2018, the NPE amounts to Euros 4,608,322,000 (31 December 2017: Euros 6,480,603,000).

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

(Thousands of euros)

	2018	2017
Balance on 1 January	2,742,244	3,209,840
Adjustments due to the implementation of IFRS 9 (note 52)		
Remeasurement under IFRS 9	153,917	n.a.
Charge for the year in net income interest (note 2)	31,026	n.a.
Other transfers (*)	(56,880)	(32,630)
Impairment charge for the year (note 10)	460,589	622,018
Reversals for the year (note 10)	(57,643)	(85,171)
Loans charged-off	(979,967)	(971,176)
Exchange rate differences	200	(637)
Balance on 31 December	2,293,486	2,742,244

(*) In 2018, 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 occurred in 2018, the associated credits were liquidated, and the Bank received a set of assets in kind and impairment affects these assets.

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

(Thousands of euros)

	2018	2017
Agriculture and forestry	4,797	1,595
Fisheries	152	22,020
Mining	3,295	727
Food, beverage and tobacco	1,792	3,612
Textiles	15,498	8,101
Wood and cork	16,757	2,859
Paper, printing and publishing	1,911	4,490
Chemicals	5,137	8,868
Machinery, equipment and basic metallurgical	22,558	12,464
Electricity and gas	-	14
Water	4,856	340
Construction	235,786	90,839
Retail business	28,393	36,834
Wholesale business	41,974	39,253
Restaurants and hotels	27,272	13,982
Transports	4,791	92,106
Post offices	14	74
Telecommunications	1,715	3,953
Services		
Financial intermediation	244,339	282,422
Real estate activities	77,095	53,567
Consulting, scientific and technical activities	88,173	18,154
Administrative and support services activities	10,609	9,001
Education	755	807
Health and collective service activities	452	762
Artistic, sports and recreational activities	787	5,758
Other services	2,439	2,602
Consumer credit	132,126	223,139
Mortgage credit	5,328	14,641
Other domestic activities	1,132	14,516
Other international activities	34	3,676
	979,967	971,176

In compliance with the accounting policy described in note 1 B1.3 (2017: note 1 C1.1), 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)

	2018	2017
Unsecured loans	958,835	946,527
Factoring operations	5,093	1,522
Finance leases	16,039	23,127
	979,967	971,176

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

(Thousands of euros)

	2018	2017
Agriculture and forestry	13	39
Fisheries	24	42
Mining	1	125
Food, beverage and tobacco	128	198
Textiles	121	304
Wood and cork	112	247
Paper, printing and publishing	170	565
Chemicals	206	433
Machinery, equipment and basic metallurgical	154	246
Water	-	1
Construction	1,614	4,118
Retail business	426	1,102
Wholesale business	724	2,147
Restaurants and hotels	25	140
Transports	61	787
Telecommunications	27	1
Services		
Financial intermediation	2,236	165
Real estate activities	179	1,105
Consulting, scientific and technical activities	58	78
Administrative and support services activities	438	290
Health and collective service activities	15	10
Artistic, sports and recreational activities	3	-
Other services	41	3
Consumer credit	2,520	1,514
Mortgage credit	-	14
Other domestic activities	55	284
Other international activities	20	109
	9,371	14,067

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

(Thousands of euros)

	2018	2017
Unsecured loans	8,566	13,779
Foreign loans	691	119
Factoring operations	-	74
Finance leases	114	95
	9,371	14,067

The caption Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1 D).

Synthetic securitizations

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

Caravela SME No. 3

Caravela SME No.3, supports an 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 of the operation is 25 March of 2036 and the operation amounts to Euros 1,993,999,000 as at 31 December 2018. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 202,017,000 and the registered cost in 2018 amounts to Euros 9,159,000.

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 31 December 2018, the operation amounts to Euros 1,179,301,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,729,000 and their registered cost in 2018 amounts to Euros 1,217,000.

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 to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, 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 1B.1.3.

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	176,751	241,381
Commercial paper	2,024,762	1,681,476
Foreign issuers		
Bonds	34,671	38,731
Commercial paper	19,704	21,465
	2,255,888	1,983,053
Overdue securities - over 90 days	55,353	67,353
	2,311,241	2,050,406
Impairment	(39,921)	(42,886)
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Public entities		
Portuguese issuers	47,377	n.a.
Foreign issuers	4,891	n.a.
Other entities		
Portuguese issuers	254,662	n.a.
Foreign issuers	63,325	n.a.
	370,255	n.a.
Impairment	(284)	n.a.
	369,971	n.a.
	2,641,291	2,007,520

The analysis of the balance Debt securities, by maturity, as at 31 December 2018 is as follows

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	-	-	-	176,751	-	176,751
Commercial paper	1,430,666	594,096	-	-	55,353	2,080,115
Foreign issuers						
Bonds	-	-	11,659	23,012	-	34,671
Commercial paper	19,704	-	-	-	-	19,704
	1,450,370	594,096	11,659	199,763	55,353	2,311,241
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	47,377	-	47,377
Foreign issuers	-	-	4,891	-	-	4,891
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
Foreign issuers	-	90,615	129,700	149,940	-	370,255
	1,450,370	684,711	141,359	349,703	55,353	2,681,496

The analysis of the balance Debt securities, by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	35,101	-	-	206,280	-	241,381
Commercial paper	1,678,280	3,196	-	-	67,353	1,748,829
Foreign issuers						
Bonds	-	-	13,027	25,704	-	38,731
Commercial paper	21,465	-	-	-	-	21,465
	1,734,846	3,196	13,027	231,984	67,353	2,050,406

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

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Mining	24,996	18,353
Food, beverage and tobacco	80,074	42,566
Textiles	69,346	79,794
Wood and cork	10,820	6,001
Paper, printing and publishing	17,163	62,038
Chemicals	222,101	223,932
Machinery, equipment and basic metallurgical	56,775	50,887
Electricity and gas	190,338	219,537
Water	9,957	-
Construction	6,937	86,678
Retail business	86,042	73,560
Wholesale business	73,388	64,559
Restaurants and hotels	8,518	12,794
Transports	49,144	23,627
Telecommunications	8,932	12,571
Services		
Financial intermediation	249,231	269,246
Real estate activities	39,115	35,091
Consulting, scientific and technical activities	991,948	643,484
Administrative and support services activities	13,653	16,004
Health and collective service activities	4,999	2,496
Other services	3,596	4,106
Other international activities	54,247	60,196
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Chemicals	25,562	n.a.
Construction	39,229	n.a.
Transports	174,480	n.a.
Services		
Financial intermediation	63,325	n.a.
Consulting, scientific and technical activities	15,149	n.a.
	317,745	n.a.
Government and Public securities	52,226	n.a.
	369,971	n.a.
	2,641,291	2,007,520

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

(Thousands of euros)

	2018	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 52)	2,946	-
Charge for the year in net income interest (note 2)	211	-
Other transfers	-	(581)
Impairment charge for the year (note 10)	-	10,516
Reversals for the year (note 10)	(6,121)	-
Loans charged-off	-	(1,554)
Exchange rate differences	(1)	-
Balance at the end of the year	39,921	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 52)	1,838	n.a.
Reversals for the year (note 10)	(1,554)	n.a.
Balance at the end of the year	284	n.a.

21. 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 held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	2018	2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	57,942	73,148
Equity instruments	805	1,277
Trading derivatives	637,005	696,214
	695,752	770,639
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,589,899	n.a.
Financial assets designated at fair value through profit or loss		
Debt instruments	33,034	142,336
Financial assets at fair value through other comprehensive income		
Debt instruments	6,900,301	n.a.
Equity instruments	96,591	n.a.
	6,996,892	n.a.
Financial assets available for sale		
Debt instruments	n.a.	4,867,577
Equity instruments	n.a.	1,825,405
	n.a.	6,692,982
	9,315,577	7,605,957

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. (2017: note 1C.2.3) in the amount of Euros 916,000 (31 December 2017: Euros 0).

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 31 December 2018, is analysed as follows:

(Thousands of euros)

	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 instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	4,096,913	4,133,613
Foreign issuers	-	-	-	151,153	151,153
Bonds issued by other entities					
Portuguese issuers	3,790	16,778	-	955,000	975,568
Foreign issuers	50,486	22,468	-	171,542	244,496
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Investment fund units (a)	-	1,541,619	-	-	1,541,619
Shares of foreign companies	-	9,034	-	-	9,034
	57,942	1,589,899	33,034	6,904,023	8,584,898
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	57,942	1,589,899	33,034	6,900,301	8,581,176
Equity instruments					
Shares					
Portuguese companies	372	-	-	24,307	24,679
Foreign companies	-	-	-	15,863	15,863
Investment fund units	-	-	-	56,421	56,421
Other securities	433	-	-	-	433
	805	-	-	96,591	97,396
Trading derivatives	637,005	-	-	-	637,005
	695,752	1,589,899	33,034	6,996,892	9,315,577
Level 1	52,280	-	33,034	6,381,244	6,466,558
Level 2	349,504	-	-	461,681	811,185
Level 3	293,968	1,589,899	-	153,967	2,037,834

(a) As at 31 December 2018 this balance include Euros 452,090 related to units of real estate investment funds mainly owned by the Bank.

As at 31 December 2018, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

As at 31 December 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, referred in note 1 D) in the amount of Euros 5,418,000 and Euros 103,909,000, 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)

	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 instruments				
Bonds issued by public entities				
Portuguese issuers	10,035	142,336	2,820,068	2,972,439
Foreign issuers	237	-	4,236	4,473
Bonds issued by other entities				
Portuguese issuers	2,412	-	761,586	763,998
Foreign issuers	60,464	-	203,237	263,701
Treasury bills and other Government bonds				
Portuguese issuers	-	-	584,906	584,906
Foreign issuers	-	-	497,266	497,266
	73,148	142,336	4,871,299	5,086,783
Impairment for overdue securities	-	-	(3,722)	(3,722)
	73,148	142,336	4,867,577	5,083,061
Equity instruments				
Shares				
Portuguese companies	427	-	29,818	30,245
Foreign companies	-	-	9,394	9,394
Investment fund units	-	-	1,786,193	1,786,193
Other securities	850	-	-	850
	1,277	-	1,825,405	1,826,682
Trading derivatives	696,214	-	-	696,214
	770,639	142,336	6,692,982	7,605,957
Level 1	73,575	142,336	4,610,516	4,826,427
Level 2	409,153	-	219,114	628,267
Level 3	287,911	-	1,863,352	2,151,263

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, referred in note 1 D) in the amount of Euros 5,972,000 and Euros 114,981,000, respectively.

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

(Thousands of euros)

	2018			
	Amortised cost (a)	Fair value hedge adjustments (note 40)	Fair value adjustments (note 40)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,995,157	149,359	(47,603)	4,096,913
Foreign issuers	151,909	981	(1,737)	151,153
Bonds issued by other entities				
Portuguese issuers (*)	952,775	4,942	(6,439)	951,278
Foreign issuers	134,676	1,491	35,375	171,542
Treasury bills and other Government bonds				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	6,763,499	156,773	(19,971)	6,900,301
Equity instruments				
Shares				
Portuguese companies	57,330	-	(33,023)	24,307
foreign companies	15,590	-	273	15,863
Investment fund units	56,421	-	-	56,421
Other securities	1,357	-	(1,357)	-
	130,698	-	(34,107)	96,591
	6,894,197	156,773	(54,078)	6,996,892

(*) This caption includes the amount related to impairment of overdue securities.
(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1B1.5.1.2.

The portfolio of financial assets available for sale, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017					
	Amortised cost (a)	Impairment	Amortised cost net of impairment	Fair value hedge adjustments (note 40)	Fair value adjustments (note 40)	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,740,251	-	2,740,251	145,003	(65,186)	2,820,068
Foreign issuers	4,157	-	4,157	-	79	4,236
Bonds issued by other entities						
Portuguese issuers (*)	833,060	(87,369)	745,691	6	12,167	757,864
Foreign issuers	171,555	(14,823)	156,732	(391)	46,896	203,237
Treasury bills and other Government bonds						
Portuguese issuers	585,072	-	585,072	-	(166)	584,906
Foreign issuers	497,770	-	497,770	-	(504)	497,266
	4,831,865	(102,192)	4,729,673	144,618	(6,714)	4,867,577
Variable income:						
Shares						
Portuguese companies	95,249	(73,106)	22,143	-	7,675	29,818
foreign companies	7,205	(150)	7,055	-	2,339	9,394
Investment fund units	2,266,394	(514,294)	1,752,100	-	34,093	1,786,193
	2,368,848	(587,550)	1,781,298	-	44,107	1,825,405
	7,200,713	(689,742)	6,510,971	144,618	37,393	6,692,982

(*) This caption includes the amount related to impairment of overdue securities
(a) Include interest accrued

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,952,735	180,878	-	4,133,613
Foreign issuers	151,153	-	-	151,153
Bonds issued by other entities				
Portuguese issuers (*)	679,125	275,893	16,828	971,846
Foreign issuers	136,722	2,757	105,017	244,496
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	-	-	675,923
Investment fund units	-	-	1,541,619	1,541,619
Shares of foreign companies	-	-	9,034	9,034
	6,449,150	459,528	1,672,498	8,581,176
Variable income:				
Shares				
Portuguese companies	4,727	-	19,952	24,679
foreign companies	-	15,563	300	15,863
Investment fund units	-	-	56,421	56,421
Other securities	-	-	433	433
	4,727	15,563	77,106	97,396
Trading derivatives	-	348,774	288,231	637,005
	6,453,877	823,865	2,037,835	9,315,577

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

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

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,839,539	132,900	-	2,972,439
Foreign issuers	4,460	13	-	4,473
Bonds issued by other entities				
Portuguese issuers (*)	667,665	75,782	16,829	760,276
Foreign issuers	230,994	3,317	29,390	263,701
Treasury bills and other Government bonds				
Portuguese issuers	584,906	-	-	584,906
Foreign issuers	497,266	-	-	497,266
	4,824,830	212,012	46,219	5,083,061
Variable income:				
Shares				
Portuguese companies	1,541	7,102	21,602	30,245
foreign companies	-	-	9,394	9,394
Investment fund units	56	-	1,786,137	1,786,193
Other securities	-	-	850	850
	1,597	7,102	1,817,983	1,826,682
Trading derivatives	-	409,153	287,061	696,214
	4,826,427	628,267	2,151,263	7,605,957

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

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 43) in the amount of Euros 1.006.988.000 (31 December 2017: Euros 1,022,068,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2018, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

As at 31 December 2018, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2018, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 56,421,000, with unrealised net losses in the amount of Euros 1,357,000, and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 476,614,000.

As at 31 December 2017, in the balance Financial assets available for sale, the level 3 participation units include investments in Real Estate Investment Funds amounting to Euros 705,702,000, in which Euros 680,030,000 correspond to funds mainly owned by the Bank. These instruments, classified as level 3, include net unrealised gains in the amount of Euros 44,781,000 and their impairment amounts to Euros 665,392,000.

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	860	2,543,948	1,588,805	-	4,133,613
Foreign issuers	-	-	102,572	48,581	-	151,153
Bonds issued by other entities						
Portuguese issuers	264,471	13,010	366,519	327,846	3,722	975,568
Foreign issuers	-	-	48,680	195,816	-	244,496
Treasury bills and other						
Government bonds						
Portuguese issuers	38,726	814,766	-	-	-	853,492
Foreign issuers	174,348	501,575	-	-	-	675,923
Investment fund units	-	9,185	240,916	1,283,267	8,251	1,541,619
Shares of foreign companies	-	-	-	-	9,034	9,034
	477,545	1,339,396	3,302,635	3,444,315	21,007	8,584,898
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	477,545	1,339,396	3,302,635	3,444,315	17,285	8,581,176
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	24,679	24,679
Foreign companies	-	-	-	-	15,863	15,863
Investment fund units	-	-	-	-	56,421	56,421
Other securities	-	-	-	-	433	433
	-	-	-	-	97,396	97,396
	477,545	1,339,396	3,302,635	3,444,315	114,681	8,678,572

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets available for sale, by residual maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	-	113,831	1,134,958	1,723,650	-	2,972,439
Foreign issuers	-	52	1,512	2,909	-	4,473
Bonds issued by other entities						
Portuguese issuers	27,848	-	642,092	90,336	3,722	763,998
Foreign issuers	-	-	50,115	213,586	-	263,701
Treasury bills and other						
Government bonds						
Portuguese issuers	89,554	495,352	-	-	-	584,906
Foreign issuers	-	497,266	-	-	-	497,266
	117,402	1,106,501	1,828,677	2,030,481	3,722	5,086,783
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	117,402	1,106,501	1,828,677	2,030,481	-	5,083,061
Variable income						
Companies' shares						
Portuguese companies	-	-	-	-	30,245	30,245
Foreign companies	-	-	-	-	9,394	9,394
Investment fund units	-	3,455	170,770	1,604,393	7,575	1,786,193
Other securities	-	-	-	-	850	850
	-	3,455	170,770	1,604,393	48,064	1,826,682
	117,402	1,109,956	1,999,447	3,634,874	48,064	6,909,743

The changes occurred in impairment for financial assets at fair value through other comprehensive income and Financial assets available for sale are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	689,742	717,926
Transition adjustments IFRS 9	(686,020)	-
Transfers	788	-
Reversals	(788)	-
Impairment against profit and loss	-	70,310
Amounts charged-off	-	(107,500)
Other variations	-	9,006
Balance at the end of the year	3,722	689,742

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	-	-	-	47,066
Construction	-	371	30,118	2,395	32,884
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	427,451	-	-	-	427,451
Telecommunications	-	7,782	-	-	7,782
Services					
Financial intermediation (*)	335,565	6,644	1,549,581	-	1,891,790
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	-	22
	1,216,342	40,542	1,607,507	3,722	2,868,113
Government and Public securities	4,284,766	-	1,529,415	-	5,814,181
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	5,501,108	40,542	3,136,922	-	8,678,572

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,006,988,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 43.

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets available for sale by sector of activity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Chemicals	26,753	-	-	-	26,753
Construction	-	-	-	2,394	2,394
Wholesale business	49,619	852	-	126	50,597
Restaurants and hotels	-	46	-	-	46
Transports	426,280	2,168	-	-	428,448
Telecommunications	-	6,390	-	-	6,390
Services					
Financial intermediation (*)	281,427	17,001	1,744,650	-	2,043,078
Real estate activities	-	-	41,543	-	41,543
Consulting, scientific and technical activities	111,382	365	-	-	111,747
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	-	22	-	1	23
Other international activities	-	-	850	-	850
	1,023,977	39,639	1,787,043	3,722	2,854,381
Government and Public securities	2,976,912	-	1,082,172	-	4,059,084
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	4,000,889	39,639	2,869,215	-	6,909,743

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,022,068,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 43.

The Bank, as part of the management process of the liquidity risk (note 49), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities. As at 31 December 2018, this caption includes Euros 39,612,000 (31 December 2017: Euros 40,821,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives by maturity as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 34)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	366,157	1,297,318	8,394,118	10,057,593	340,546	267,815
Interest rate options (purchase)	-	84,927	136,129	221,056	9	-
Interest rate options (sale)	-	1,510	136,129	137,639	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	366,157	1,402,929	8,787,964	10,557,050	342,586	268,983
Stock Exchange transactions:						
Interest rate futures	104,693	-	-	104,693	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	71,121	131,745	-	202,866	942	644
Currency swaps	1,858,660	552,788	-	2,411,448	5,111	8,748
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	1,997,931	734,785	54,506	2,787,222	9,410	12,741
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	58,059	76,034	462,072	596,165	664	4,809
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	-	-	19,730	19,730	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	411,029	950,649	1,658,277	3,019,955	16,288	8,816
Stock exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	80,553	80,553	-	-
	123,531	-	374,690	498,221	267,141	287
Total derivatives traded in:						
OTC Market	2,956,707	3,164,397	11,337,509	17,458,613	636,089	295,636
Stock Exchange	791,247	-	-	791,247	-	-
Embedded derivatives					916	59
	3,747,954	3,164,397	11,337,509	18,249,860	637,005	295,695

The analysis of trading derivatives by maturity as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 34)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	342,339	610,766	8,587,986	9,541,091	399,731	332,398
Interest rate options (purchase)	-	83,417	89,285	172,702	456	-
Interest rate options (sale)	-	-	89,285	89,285	-	397
Other interest rate contracts	567	4,070	112,555	117,192	1,947	688
	342,906	698,253	8,879,111	9,920,270	402,134	333,483
Stock Exchange transactions:						
Interest rate futures	110,808	-	-	110,808	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	81,068	57,208	35	138,311	1,360	669
Currency swaps	964,396	403,366	-	1,367,762	2,998	16,096
Currency options (purchase)	11,168	61,638	-	72,806	1,539	-
Currency options (sale)	10,746	61,638	-	72,384	-	1,514
	1,067,378	583,850	35	1,651,263	5,897	18,279
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	-	224,675	371,152	595,827	-	22,288
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	345,574	1,323,637	1,251,343	2,920,554	8,406	4,184
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,588	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	345,574	1,323,637	1,285,071	2,954,282	23,994	4,184
Stock exchange transactions:						
Shares futures	500,045	181,357	-	681,402	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	13,353	-	-	13,353	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	214,950	177,800	428,310	821,060	264,189	2,988
Other credit derivatives (sale)	-	-	68,908	68,908	-	-
	214,950	177,800	497,218	889,968	264,189	2,988
Total derivatives traded in:						
OTC Market	1,970,808	3,008,215	11,032,587	16,011,610	696,214	381,222
Stock Exchange	624,206	181,357	-	805,563	-	-
Embedded derivatives					-	158
	2,595,014	3,189,572	11,032,587	16,817,173	696,214	381,380

22. Financial assets held to maturity

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

(Thousands of euros)

	2017				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by public entities					
Foreign issuers	-	-	50,859	-	50,859
Bonds issued by other entities					
Portuguese issuers	-	-	173,909	39,145	213,054
Foreign issuers	-	-	-	78,872	78,872
	-	-	224,768	118,017	342,785

This note should be analyzed together with note 20.

The analysis of financial assets held to maturity, by sector of activity, as at 31 December 2017, was analysed as follows:

(Thousands of euros)

	2017
Transports	173,909
Services	
Financial intermediation	78,872
Real estate activities	39,145
	291,926
Government and Public securities	50,859
	342,785

23.Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Swaps	92,891	68,486	18,804	99,453
Others	-	-	-	12,899
	92,891	68,486	18,804	112,352

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank 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 Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39 (note 1 B.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 2018, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,870,000 (31 December 2017: negative amount of Euros 4,833,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2018, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 23,004,000 (31 December 2017: positive amount of 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 (note 49):

(Thousands of euros)

Hedged items	2018	2017
Loans	5,306	4,886
Securities acquisition	(47,870)	(29,543)
Deposits	(10,214)	2,447
Debt issued	(148)	(47,816)
	(52,926)	(70,026)

The analysis of hedging derivatives portfolio by maturity as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	24,500	2,738,774	2,763,274	12,372	60,882
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

The analysis of hedging derivatives portfolio by maturity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	5,288	6,434,440	6,439,728	17,060	53,401
Others	450,000	-	-	450,000	-	12,899
	450,000	5,288	6,434,440	6,889,728	17,060	66,300
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	-	-	12,050,000	12,050,000	1,744	46,052
Total derivatives traded by:						
OTC Market	450,000	5,288	18,484,440	18,939,728	18,804	112,352

24. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Portuguese credit institutions	388,440	338,422
Foreign credit institutions	792,877	801,463
Other Portuguese companies	1,760,363	1,848,351
Other foreign companies	2,756,639	2,771,176
	5,698,319	5,759,412
Impairment for investments in:		
Subsidiary companies	(2,532,289)	(2,385,466)
Associated and other companies	(18,057)	(3,585)
	(2,550,346)	(2,389,051)
	3,147,973	3,370,361

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of euros)

	2018	2017
ACT - C - Indústria de Cortiças, S.A.	-	3,585
Banco ActivoBank, S.A.	128,205	78,187
Banco de Investimento Imobiliário, S.A.	260,235	260,235
Bank Millennium S.A.	645,678	662,953
Banque BCP, S.A.S.	30,203	26,865
Banque Privée BCP (Suisse) S.A.	116,996	111,645
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	29,773	30,773
BCP International B.V.	1,203,262	1,203,262
BCP Investment, B.V.	1,534,842	1,534,843
Cold River's Homestead, S.A.	20,210	-
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	459,722
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	18,535
Millennium bcp Imobiliária, S.A.	341,088	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,653	327,653
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Planfipsa S.G.P.S., S.A.	1	-
Projepolska, S.A.	633	-
S&P Reinsurance Limited	-	14,536
Servitrust - Trust Management Services S.A.	100	100
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	13	13
	5,698,319	5,759,412
Impairment for investments in subsidiary and associated companies		
ACT - C - Indústria de Cortiças, S.A.	-	(3,585)
Banco de Investimento Imobiliário, S.A.	(50,704)	(33,941)
BCP África, S.G.P.S., Lda.	(92,726)	(92,726)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,117)	(18,480)
BCP International B.V.	(145,988)	(145,988)
BCP Investment, B.V.	(1,529,200)	(1,394,582)
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(18,535)	(18,535)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	(18,057)	-
Millennium bcp Imobiliária, S.A.	(341,088)	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	(327,049)	(327,049)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(782)	(753)
S&P Reinsurance Limited	-	(12,224)
Servitrust - Trust Management Services S.A.	(100)	(100)
	(2,550,346)	(2,389,051)
	3,147,973	3,370,361

During 2018, were included the subsidiaries Planfipsa S.G.P.S., S.A. and Cold River's Homestead, S.A., and also included the associated companies PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E and Projepolska, S.A.

The Bank also liquidated S & P Reinsurance Limited and closed ACT-C-Indústria de Cortiças, S.A.

During 2017, the Bank's investment in the company Nanium, S.A. was sold and were liquidated the investments held by the Bank in the companies Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda. and Caracas Financial Services, Limited (note 14).

During 2017 the Bank aquired to BCP Investment, B.V. the investments corresponding to the entire share capital of Banco ActivoBank, S.A. and Banque Privée BCP (Suisse) S.A., as well 49.0% of the share capital of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The movements for Impairment for investments in subsidiary and associated companies are analysed as follows:

(Thousands of euros)

	2018	2017
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,389,051	2,352,243
Impairment charge for the year (note 12)	177,104	79,940
Write-back for the year	-	(36,943)
Loans charged-off	(15,809)	(6,189)
Balance on 31 December	2,550,346	2,389,051

As at 31 December 2018, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of ACT - C - Indústria de Cortiças, S.A. and S&P Reinsurance Limited. The Bank's subsidiaries and associated companies are presented in note 53.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 G).

Regarding holding companies, namely BCP International B.V., BCP Investment B.V., Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1 G), was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the period from 2019 to 2022 and (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2018			2017		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	5,500% a 10,000%	10.561%	0.000%	5,875% a 10,375%	10.400%	0.000%
Poland	9.250%	9.250%	2.600%	9.625%	9.625%	2.600%
Angola	19.000%	19.000%	n.a.	19.000%	19.000%	n.a.
Mozambique	20.500%	20.500%	3.940%	20.500%	20.500%	2.400%
Switzerland	9.250%	9.811%	0.000%	9.250%	9.775%	0.000%

Based on the analysis made, the Bank recognised in 2018 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Write-back	Loans charged-off	Balance on 31 December
ACT - C - Indústria de Cortiças, S.A.	3,585	-	-	(3,585)	-
Banco de Investimento Imobiliário, S.A.	33,941	16,763	-	-	50,704
BCP África, S.G.P.S., Lda.	92,726	-	-	-	92,726
BCP Capital - Sociedade de Capital de Risco, S.A.	18,480	7,637	-	-	26,117
BCP International B.V.	145,988	-	-	-	145,988
BCP Investment B.V.	1,394,582	134,618	-	-	1,529,200
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	-	-	-	18,535
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	18,057	-	-	18,057
Millennium bcp Imobiliária, S.A.	341,088	-	-	-	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,049	-	-	-	327,049
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	753	29	-	-	782
S&P Reinsurance Limited	12,224	-	-	(12,224)	-
Servitrust - Trust Management Services S.A.	100	-	-	-	100
	2,389,051	177,104	-	(15,809)	2,550,346

25. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans (note 49)	1,322,473	(179,009)	1,143,464	1,559,450	(190,359)	1,369,091
Assets for own use (closed branches)	3,431	(757)	2,674	5,553	(1,241)	4,312
Equipment and other	9,537	(5,067)	4,470	12,376	(6,476)	5,900
Subsidiaries acquired exclusively with the purpose of short-term sale	122,388	(46,247)	76,141	113,221	(39,254)	73,967
Other assets	25,905	-	25,905	26,842	-	26,842
	1,483,734	(231,080)	1,252,654	1,717,442	(237,330)	1,480,112

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

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial being accounted for at the time the Bank 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 49.

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

The Bank requests, regularly, to the Bank of Portugal, following the Article No. 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 Bank has already established contracts for the sale in the amount of Euros 35,149,000 (31 December 2017: Euros 29,081,000), which impairment associated is Euros 3,361,000 (31 December 2017: Euros 4,397,000), which was calculated taking into account the value of the respective contracts.

As at 31 December 2017, the caption Subsidiaries acquired exclusively with the view of short-term sale corresponds to 1 real estate company acquired by the Bank within the restructuring of a loan exposure that the Bank intends to sell in less than one year (note 53), which hold real estate assets in the amount of Euros 20,447,000.

As part of a corporate restructuring process, as at 31 December 2017, the Bank sold four real estate companies to real estate investment funds held by it, in the amount of Euros 120,938,000, with a net gain of Euros 9,434,000, recognized in the caption Sale of other assets, as described in note 14.

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

(Thousands of euros)

	2018	2017
Balance on 1 January	237,330	254,307
Transfers (a)	15,272	-
Impairment for the year (note 12)	32,375	93,027
Loans charged-off	(54,697)	(109,581)
Exchange rate differences	800	(423)
Balance on 31 December	231,080	237,330

(a) In 2018, 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 occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

26. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Land and buildings	494,685	508,440
Equipment		
Furniture	70,360	69,631
Machinery	17,157	16,648
Computer equipment	180,692	175,627
Interior installations	100,312	98,876
Motor vehicles	14,337	13,032
Security equipment	63,391	62,907
Other equipment	2,829	2,868
Work in progress	7,908	10,143
Other tangible assets	29	32
	951,700	958,204
Accumulated depreciation		
Relative to the year (note 9)	(23,167)	(21,871)
Relative to the previous years	(708,362)	(719,232)
	(731,529)	(741,103)
	220,171	217,101

The changes occurred in Other tangible assets, during 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	508,440	207	(20,327)	6,341	24	494,685
Equipment:						
Furniture	69,631	1,506	(745)	(36)	4	70,360
Machinery	16,648	563	(66)	9	3	17,157
Computer equipment	175,627	9,168	(4,106)	(3)	6	180,692
Interior installations	98,876	1,112	(3,135)	3,459	-	100,312
Motor vehicles	13,032	3,750	(2,448)	-	3	14,337
Security equipment	62,907	1,156	(689)	16	1	63,391
Other equipment	2,868	17	(56)	-	-	2,829
Work in progress	10,143	11,698	(67)	(13,866)	-	7,908
Other tangible assets	32	-	-	(3)	-	29
	958,204	29,177	(31,639)	(4,083)	41	951,700
Accumulated depreciation						
Real estate	(340,684)	(9,689)	19,916	1,924	(12)	(328,545)
Equipment:						
Furniture	(63,575)	(1,407)	742	41	(4)	(64,203)
Machinery	(15,274)	(293)	66	-	(3)	(15,504)
Computer equipment	(161,221)	(6,960)	4,101	3	(3)	(164,080)
Interior installations	(92,029)	(1,353)	3,133	99	-	(90,150)
Motor vehicles	(6,642)	(2,354)	1,914	-	(3)	(7,085)
Security equipment	(58,819)	(1,106)	689	82	-	(59,154)
Other equipment	(2,830)	(5)	56	-	-	(2,779)
Other tangible assets	(29)	-	-	-	-	(29)
	(741,103)	(23,167)	30,617	2,149	(25)	(731,529)
	217,101	6,010	(1,022)	(1,934)	16	220,171

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	Exchange differences	Balance on 31 December
Real estate	528,878	23	(16,439)	(3,949)	(73)	508,440
Equipment:						
Furniture	70,206	1,695	(2,155)	(103)	(12)	69,631
Machinery	16,416	329	(87)	-	(10)	16,648
Computer equipment	168,051	9,087	(1,519)	26	(18)	175,627
Interior installations	96,688	445	(659)	2,403	(1)	98,876
Motor vehicles	10,377	3,731	(1,065)	-	(11)	13,032
Security equipment	64,089	441	(1,558)	(62)	(3)	62,907
Other equipment	2,923	40	(95)	-	-	2,868
Work in progress	8,322	15,372	(1,023)	(12,528)	-	10,143
Other tangible assets	30	3	(1)	-	-	32
	965,980	31,166	(24,601)	(14,213)	(128)	958,204
Accumulated depreciation						
Real estate	(352,220)	(9,746)	15,787	5,467	28	(340,684)
Equipment:						
Furniture	(64,623)	(1,217)	2,152	103	10	(63,575)
Machinery	(15,137)	(231)	87	-	7	(15,274)
Computer equipment	(156,864)	(5,881)	1,507	4	13	(161,221)
Interior installations	(91,668)	(1,053)	657	34	1	(92,029)
Motor vehicles	(4,944)	(2,533)	828	-	7	(6,642)
Security equipment	(59,265)	(1,206)	1,548	103	1	(58,819)
Other equipment	(2,920)	(4)	94	-	-	(2,830)
Other tangible assets	(30)	-	1	-	-	(29)
	(747,671)	(21,871)	22,661	5,711	67	(741,103)
	218,309	9,295	(1,940)	(8,502)	(61)	217,101

27. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Intangible assets		
Software	49,054	35,849
Other intangible assets	153	177
	49,207	36,026
Accumulated amortisation		
Relative to the year (note 9)	(9,274)	(7,122)
Relative to the previous years	(10,250)	(7,495)
	(19,524)	(14,617)
	29,683	21,409

The changes occurred in Intangible assets balance, during 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	35,849	17,573	(4,384)	-	16	49,054
Other intangible assets	177	-	-	(28)	4	153
	36,026	17,573	(4,384)	(28)	20	49,207
Accumulated amortisation						
Software	(14,534)	(9,274)	4,378	-	(7)	(19,437)
Other intangible assets	(83)	-	-	-	(4)	(87)
	(14,617)	(9,274)	4,378	-	(11)	(19,524)
	21,409	8,299	(6)	(28)	9	29,683

The changes occurred in Intangible assets balance, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	26,378	14,030	(4,525)	-	(34)	35,849
Other intangible assets	192	-	-	-	(15)	177
	26,570	14,030	(4,525)	-	(49)	36,026
Accumulated amortisation						
Software	(11,949)	(7,122)	4,524	-	13	(14,534)
Other intangible assets	(95)	-	-	-	12	(83)
	(12,044)	(7,122)	4,524	-	25	(14,617)
	14,526	6,908	(1)	-	(24)	21,409

28. Income tax

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

(Thousands of euros)

	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	925,420	-	925,420	925,673	-	925,673
Employee benefits	835,234	-	835,234	837,422	-	837,422
	1,760,654	-	1,760,654	1,763,095	-	1,763,095
Deferred taxes depending on the future profits						
Other tangible assets	1,977	(3,184)	(1,207)	2,027	(3,252)	(1,225)
Impairment losses	709,541	(50,303)	659,238	930,619	(50,303)	880,316
Employee benefits	39,757	(205)	39,552	28,179	(1,803)	26,376
Financial assets at fair value through other comprehensive income	139,254	(165,893)	(26,639)	n.a.	n.a.	n.a.
Financial assets available for sale	n.a.	n.a.	n.a.	10,076	(16,993)	(6,917)
Tax losses carried forward	319,768	-	319,768	319,768	-	319,768
Others	57,646	(26,476)	31,170	62,835	(25,740)	37,095
	1,267,943	(246,061)	1,021,882	1,353,504	(98,091)	1,255,413
Total deferred taxes	3,028,597	(246,061)	2,782,536	3,116,599	(98,091)	3,018,508
Offset between deferred tax assets and deferred tax liabilities	(246,061)	246,061	-	(98,091)	98,091	-
Net deferred taxes	2,782,536	-	2,782,536	3,018,508	-	3,018,508

(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 Special Regime applicable to the deferred tax assets, 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 favor 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 is analysed as follows:

Description	2018	2017
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000 (a)	9.0%	7.0%

(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 is 21% (31 December 2017: 21%).

The average deferred tax rate associated with temporary differences of the BanK is 31.30% (31 December 2017: 31.30%).

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 2016, the Bank adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2017 and 2018 the RETGS application was maintained.

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

(Thousands of euros)

Expire date	2018	2017
2026	10,297	80,758
2028	309,471	239,010
	319,768	319,768

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 through 31 December 2017 and IFRS 9 as of 1 January 1 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 Decrees No. 11/2017, of 28 December, and No. 13/2018, 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 and 2018, respectively. These Regulatory Decrees establish that the Notice of Bank of Portugal No. 3/95 (notice that was relevant to determine the provisions for credit in financial statments in NCA basis) should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017 and 2018, respectively.

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 Y.1), and with the requirements of IAS 12, the deferred tax assets were recognised based on the Bank'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, the evolution of tax legislation and respective interpretation. 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 based on the respective financial statements prepared under the budget process for 2019 and adjusted according to the strategic plan approved by governing bodies, which support future taxable income, considering the macroeconomic and competitive environment.

To estimate taxable profits for the periods 2019 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 2019, the tax rules considered, that were in force in 2018, similiar to the one's in force in 2015, 2016 and 2017, and through 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 applying these rules, the following assumptions were considered in general terms:

a) non-deductible expensesrelated to charge in credit impairments were estimated based on the average percentageof amounts not deducted for tax purposes in the last years, compared to the amounts of impairment charges recorded in those years;

b) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 and also based on the average reversal percentage observed in the last years;

c) the average percentages concerned were segregated, depending on the existence or absence of a mortgage guarantee, the eligibility for the special regime applicable to deferred tax assets and according to the classification of clients as Non Performing Exposures;

- 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 were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made take into consideration, 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 globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, 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 31 December 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	2018	2017
2023	140,962	-
2026	202,537	132,076
2028	207,874	278,334
	551,373	410,410

The impact of income taxes in Net income and in other captions of Bank's equity is analysed as follows:

(Thousands of euros)

	2018			2017	
		Reserves and retained earnings			
	Net income for the year	Impact of adoption of IFRS 9 (note 52)	Movement of the year	Net income for the year	Reserves and retained earnings
Deferred taxes					
Deferred taxes not depending on the future profits (a)					
Impairment losses	(253)	-	-	57,564	-
Employee benefits	(2,188)	-	-	16,903	33,128
	(2,441)	-	-	74,467	33,128
Deferred taxes depending on the future profits					
Other tangible assets	18	-	-	1,039	-
Impairment losses (b)	(23,801)	(197,277)	-	60,498	-
Employee benefits	9,702	-	3,474	2,690	(5,522)
Financial assets at fair value through other comprehensive income	(10,076)	20,322	(36,885)	n.a.	n.a.
Financial assets available for sale	n.a.	6,917	n.a.	10,076	(39,457)
Tax losses carried forward	(1,685)	-	1,685	(92,330)	(78,590)
Others	(4,627)	(613)	(685)	2,202	-
	(30,469)	(170,651)	(32,411)	(15,825)	(123,569)
	(32,910)	(170,651)	(32,411)	58,642	(90,441)
Current taxes			-		
Actual year	(3,989)	-	-	(3,351)	-
Correction of previous years	790	-	-	862	-
	(3,199)	-	-	(2,489)	-
	(36,109)	(170,651)	(32,411)	56,153	(90,441)

(a) Deferred taxes related to expenses and negative equity variations, covered by the Deferred Tax Assets Special Regime (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, is not applicable to expenses and negative equity variations registered in tax periods beginning on or after 1 January 2016, neither to the deferred taxes assets related to these. In 2017, there is a variation due to the increase of the state surtax from 7% to 9% on the portion of the taxable profit over Euros 35,000,000, applicable in tax periods began on or after 1 January 2018.

(b) - The tax on reserves and retained earnings corresponds to recognitions in reserves and retained earnings that contribute to the purpose of assessing the taxable profit.

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

(Thousands of euros)

	2018	2017
Net income / (loss) before income taxes	95,376	61,868
Current tax rate (%)	31.30%	31.30%
Expected tax	(29,853)	(19,365)
Elimination of double economic taxation of dividends received	69,882	22,473
Non deductible impairment	(50,505)	8,130
Contribution to the banking sector	(9,522)	(8,767)
Employees' benefits	-	11,761
Non-deductible expenses and other corrections	542	567
Effect of difference of rate tax and deferred tax not recognised previously (a)	(14,336)	43,186
(Autonomous tax) / Tax credits	(2,317)	(1,832)
Total	(36,109)	56,153
Effective rate (%)	37.86%	-90.76%

(a) In 2017, the amount corresponds to the impact of the tax rate and of the deferred tax not recognized before (Euros 133,494,000), essentially due to the state surtax increase from 7% to 9% on the portion of the taxable profit over Euros 35.000.000 applicable in tax periods began on or after 1 January 2018, net of derecognition of deferred tax related to tax losses (Euros 90,308,000).

29. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Debtors	132,558	137,938
Capital supplies	233,195	226,708
Capital supplementary contributions	236,232	363,331
Other financial investments	449	441
Gold and other precious metals	3,615	3,637
Deposit account applications	74,220	187,863
Debtors for futures and options transactions	109,445	97,830
Artistic patrimony	28,622	28,656
Amounts due for collection	45,475	36,618
Other recoverable tax	20,024	22,401
Subsidies receivables	8,146	3,523
Associated companies	43,829	4,479
Interest and other amounts receivable	29,179	28,299
Prepaid expenses	22,330	23,555
Amounts receivable on trading activity	11,851	210,410
Amounts due from customers	217,483	130,953
Obligations with post-employment benefits (note 46)	9,941	113,843
Sundry assets	32,728	106,074
	1,259,322	1,726,559
Impairment for other assets	(312,773)	(291,828)
	946,549	1,434,731

As referred in note 43, the balance Capital supplies includes the amount of Euros 226,049,000 (31 December 2017: Euros 219.657.000) 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 31 December 2018, the caption Deposit account applications includes the amount of Euros 16,307,000 (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 caption Supplementary capital contributions is analysed as follows:

(Thousands of euros)

	2018	2017
Millennium bcp Imobiliária, S.A.	51,295	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	166,287	290,447
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
Servitrust - Trust Management Services S.A.	650	650
Others	-	2,939
	236,232	363,331

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

(Thousands of euros)

	2018	2017
Balance on 1 January	291,828	323,075
Transfers (a)	57,120	41,247
Impairment for the year (note 12)	6,544	16,827
Write back for the year (note 12)	(1,432)	(20,254)
Amounts charged-off	(41,287)	(69,067)
Balance on 31 December	312,773	291,828

(a) In 2018, the balance Transfers corresponds 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 occurred in 2018, the associated credits were liquidated, and the Bank received a set of assets in kind.

30. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,950,657	3,950,657	-	3,969,731	3,969,731
Central Banks abroad	-	803,986	803,986	-	170,734	170,734
	-	4,754,643	4,754,643	-	4,140,465	4,140,465
Resources from credit institutions in Portugal						
Very short-term deposits	-	8,134	8,134	-	19,993	19,993
Sight deposits	453,795	-	453,795	480,495	-	480,495
Term Deposits	-	417,911	417,911	-	91,169	91,169
Other resources	19,820	-	19,820	17,540	-	17,540
	473,615	426,045	899,660	498,035	111,162	609,197
Resources from credit institutions abroad						
Very short-term deposits	-	700	700	-	83	83
Sight deposits	197,673	-	197,673	145,044	-	145,044
Term Deposits	-	555,195	555,195	-	625,075	625,075
Loans obtained	-	1,522,631	1,522,631	-	1,467,096	1,467,096
Sales operations with repurchase agreement	-	439,999	439,999	-	827,913	827,913
Other resources	-	2,036	2,036	-	10,178	10,178
	197,673	2,520,561	2,718,234	145,044	2,930,345	3,075,389
	671,288	7,701,249	8,372,537	643,079	7,181,972	7,825,051

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2018	2017
Up to 3 months	2,311,072	1,335,169
3 to 6 months	39,693	65,031
6 to 12 months	219,821	260,125
1 to 5 years	4,679,943	4,784,375
Over 5 years	1,122,008	1,380,351
	8,372,537	7,825,051

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 21,000,000 (31 December 2017: Euros 26,250,000). These deposits are held by the Bank 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.

31. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	18,849,565	449,154	19,298,719	16,150,559	510,549	16,661,108
Term deposits	-	11,142,718	11,142,718	-	11,993,616	11,993,616
Saving accounts	-	3,473,141	3,473,141	-	2,978,608	2,978,608
Treasury bills and other assets sold under repurchase agreement	-	-	-	-	129,758	129,758
Cheques and orders to pay	303,339	-	303,339	361,755	-	361,755
Other	-	-	-	-	10,190	10,190
	19,152,904	15,065,013	34,217,917	16,512,314	15,622,721	32,135,035

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.

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2018	2017
Deposits repayable on demand	19,298,719	16,661,108
Term deposits and saving accounts		
Up to 3 months	6,379,989	6,454,029
3 to 6 months	4,362,232	4,478,026
6 to 12 months	3,573,937	3,785,290
1 to 5 years	285,501	240,678
Over 5 years	14,200	14,200
	14,615,859	14,972,223
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	-	129,758
Cheques and orders to pay		
Up to 3 months	303,339	361,755
Other		
Up to 3 months	-	1,334
6 to 12 months	-	1,286
1 to 5 years	-	7,571
	-	10,191
	34,217,917	32,135,035

32. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities at amortised cost		
Bonds	122,301	432,876
Covered bonds	994,347	992,725
MTNs	77,182	9,958
	1,193,830	1,435,559
Accruals	4,937	5,069
	1,198,767	1,440,628

In 2017 the Bank issued covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May 2017. This issue, in the amount of Euros 1,000 million, has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The characteristics of the bonds issued by the Bank, as at 31 December 2018 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost					
BCP Fixa out 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	6,005
BCP Float jan 2019-Vm 105-Ref.38	December, 2011	January, 2019	Until 5 April 2012: Fixed rate 2.367% year; after 5 April 2012: Euribor 3M + 0.81%	50,000	49,960
BCP Float fev 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012:Fixed rate 2.459% year after 16 May 2012: Euribor 3M + 1.000%	10,850	10,780
BCP Fixa out 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	10,553
BCP Fixa out 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	4,439
BCP Fixa out 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	2,209
BCP Fixa out 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	5,412
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	28,438
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,511
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate of 0.75%	1,000,000	994,347
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to a portfolio of 3 shares	6,453	6,364
Bcp Mill Cabaz 3 Acoes Fev 2021-Smtn Sr 6	February, 2018	February, 2021	Indexed to a portfolio of 3 shares	11,121	11,121
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to a portfolio of 3 shares	24,664	24,664
Bcp Part Euro Acoes Valor Iii/18 - Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,370
Bcp Tit Div Mill Cabaz 3 Acoes Mai 2021-Smtn Sr10	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	32,853	32,853
Bcp Perfor Cabaz Ponder 18/17.05.21-Smtn Sr14	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	810	810
					1,193,830
Accruals					4,937
					1,198,767

This balance, as at 31 December 2018, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	60,740	-	28,618	32,943	-	122,301
Covered bonds	-	-	-	994,347	-	994,347
MTNs	-	-	-	77,182	-	77,182
	60,740	-	28,618	1,104,472	-	1,193,830

This balance, as at 31 December 2017, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	102,595	55,506	28,472	244,309	1,994	432,876
Covered bonds	-	-	-	992,725	-	992,725
MTNs	-	-	-	9,958	-	9,958
	102,595	55,506	28,472	1,246,992	1,994	1,435,559

33. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Bonds		
Non Perpetual	793,490	917,846
Perpetual	27,021	86,928
	820,511	1,004,774
Accruals	5,113	16,767
	825,624	1,021,541

As at 31 December 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						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	51,173
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	28,881
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	16,158
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,637	979
BCP Subord set 2019-EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,541	7,444
BCP Subord nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,234	6,844
MBCP Subord dez 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,297	5,010
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,334	2,901
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	See ref. (iii)	300,000	298,620	300,000
					793,490	451,887
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See ref. (ii)	Euribor 3M+2.25%	4,986	4,986	1,994
					27,021	10,808
Accruals					5,113	-
					825,624	462,695

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

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) June 2019; (ii) March 2019.
Interest rate
(iii) 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						
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September,2018(i)	See ref. (viii)	73,618	73,618	3,597
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See ref. (viii)	20,741	20,741	1,210
Bcp Ob Sub Jun 2020-EMTN 727	June, 2010	June, 2020 (iii)	See ref. (ix)	16,294	16,294	1,620
Bcp Ob Sub Aug 2020-EMTN 739	August, 2010	August, 2020 (iv)	See ref. (x)	9,409	9,409	298
Bcp Ob Sub Mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	73,973
Bcp Ob Sub Apr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	41,701
Bcp Ob Sub 3S Apr 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 Sep 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
Bcp Subord Dec 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,945	10,330
Mill Bcp Subord Jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,504	5,701
Mbcp Subord Feb 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,722	9,941
Bcp Subord Apr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,412	23,035
Bcp Subord 2 Serie Apr 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 ref. (xi)	300,000	298,583	300,000
					917,846	553,902
Perpetual Bonds						
Obrigações Caixa Perpétuas						
Subord 2002/19jun2012	June, 2002	See ref. (v)	See ref. (xi)	85	85	85
TOPS BPSM 1997	December, 1997	See ref. (vi)	Euribor 6M+0.9%	22,035	22,035	22,035
BCP Leasing 2001	December, 2001	See ref. (vii)	Euribor 3M+2.25%	4,986	4,986	4,986
BCP - Euro 500 milhões	June, 2004	-	See ref. (xii)	43,968	43,895	1,685
Emp. sub. BCP Fin. Company	October, 2005	-	See ref. (xiii)	15,942	15,927	115
					86,928	28,906
Accruals					16,767	-
					1,021,541	582,808

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

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%; (xiii) until June 2014 fixed rate 5.543%; June 2014 and following Euribor 3M + 2.07%; (xiv) until October 2015 Fixed rate 4.239%; October 2015 and following Euribor 3M + 1.95%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2018	2017
Up to 1 year	133,709	94,359
1 to 5 years	361,161	524,904
Over 5 years	298,620	298,583
Undetermined	27,021	86,928
	820,511	1,004,774
Accruals	5,113	16,767
	825,624	1,021,541

34. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2018	2017
Trading derivatives (note 21):		
Swaps	290,475	378,642
Options	3,370	1,911
Embedded derivatives	59	158
Forwards	644	669
Others	1,147	-
	295,695	381,380
Level 2	295,677	381,044
Level 3	18	336

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

As at 31 December 2018, the balance Financial liabilities held for trading includes, , the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 B.5 (2017: nota 1 C2.3), in the amount of Euros 59,000 (31 December 2017: Euros 158,000). This note should be analysed together with note 21.

35. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Deposits from customers	2,583,549	2,902,392
Debt securities at fair value through profit and loss		
Bonds	826	13,368
Medium term notes (MTNs)	340,274	160,466
	341,100	173,834
Accruals	806	3,500
	341,906	177,334
Certificates	678,192	763,919
	3,603,647	3,843,645

As at 31 December 2018, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Eur Cln Port 10/15.06.20- Emtn 766	November, 2010	June, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	31,770
BCP Inv Banc Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to EuroStoxx Banks	1,000	566
Bcp Reemb Parc Eur Acoes Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2 nd quarter =3,9%; 2 nd semester=6,5%; 2 nd year =3,25%; 3rd year=3,25%	268	260
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,237
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	698	664
Bcp Inv. Euro Acoes Cupao Extra Xi/17 Eur-Smtn Sr 4	November, 2017	November, 2020	Indexed to EuroStoxx 50	1,370	1,156
Bcp Rend.Eur Div Autoccalable Xii 17Dec20 Smtn Sr5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,667
Bcp Euro Dividendos Cupao Memoria Iii18-Smtn Sr.9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	1,912
Bcp Rend Multi Set Eur Autocallable Abr21-Smtn11	April, 2018	April, 2021	Indexed to 3 shares portfolio	1,230	1,222
Bcp Rend Ac Valor Globais Autocall 19Abr21 Smtn12	April, 2018	April, 2021	Indexed Stoxx Global Select Dividend 100	1,490	1,444
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	90,281	88,639
Bcp Rend Cabaz Sect Autocall 28Jun2021-Smtn Sr15	June, 2018	June, 2021	Indexed to 3 shares portfolio	1,580	1,565
Bcp Inv. Eur Acoes Cupao Lock 28Jun21-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50	2,290	2,069
Bcp Tit Div Mill Cabaz 3 Acoes 25Jul2023-Smtn Sr 17	July, 2018	July, 2023	Indexed to 3 shares portfolio	16,010	15,843
Bcp Ret Sect Europa Autcall Vii18 26Jul21-Smtn Sr18	July, 2018	July, 2021	Indexed to 3 indexes	1,270	1,262
Bcp Rend e Part Zona Euro Autocall Viii18-Smtn Sr19	August, 2018	August, 2021	Indexed to EuroStoxx 50	1,000	841
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	30,825	30,055
Bcp Rend Sectores Ix 18/27092021 - Smtn 22	September, 2018	September, 2021	Indexed to 3 indexes	1,070	1,050
Bcp Tit Div Mill Cabaz 3 Acoes 18 22Out23-Smtn21	October, 2018	October, 2023	Indexed to 3 shares portfolio	50,956	50,514
Cabaz Multi Sect Eur.Autocall Xi18 29Oct21-Smtn23	October, 2018	October, 2021	Indexed to 3 shares portfolio	3,910	3,905
Rembolsos Parciais Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indice EuroStoxx Telecoms	1,560	1,548
Bcp Retorno Part Div Autocall 29Nov2021 Smtn 24	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,200	1,203
Bcp Perfor. Euro Dividendos 29Nov2021 Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,400	1,291
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn 25	December, 2018	December, 2023	Indexed to 3 shares portfolio	99,942	98,338
Bcp Rend Sectores Europa Autocall Xii/18 Smtn Sr 29	December, 2018	December, 2021	Indexed to 3 indexes	1,070	1,079
					341,100
Accruals					806
					341,906

As at 31 December 2018, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	409,770	532,337	424,000	1,217,442	-	2,583,549
Debt securities at fair value through profit and loss						
Bonds	-	-	566	260	-	826
MTNs	-	-	-	340,274	-	340,274
	-	-	566	340,534	-	341,100
Certificates	-	-	-	-	678,192	678,192
	409,770	532,337	424,566	1,557,976	678,192	3,602,841

As at 31 December 2017, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	377,045	395,330	925,921	1,204,096	-	2,902,392
Debt securities at fair value through profit and loss						
Bonds	2,042	4,542	1,783	5,001	-	13,368
MTNs	-	123,533	-	36,933	-	160,466
	2,042	128,075	1,783	41,934	-	173,834
Certificates	-	23	-	-	763,896	763,919
	379,087	523,428	927,704	1,246,030	763,896	3,840,145

36. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Provision for guarantees and other commitments	163,363	114,981
Other provisions for liabilities and charges	150,505	154,076
	313,868	269,057

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

(Thousands of euros)

	2018	2017
Balance on 1 January	114,981	110,601
Adjustments due to the implementation of IFRS 9 (note 52)	9,078	-
Other transfers	(2,124)	-
Charge for the year (note 13)	41,462	4,449
Reversals for the year (note 13)	(36)	(52)
Exchange rate differences	2	(17)
Balance on 31 December	163,363	114,981

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

(Thousands of euros)

	2018	2017
Balance on 1 January	154,076	113,032
Transfers	(12,915)	(588)
Charge for the year (note 13)	19,142	46,094
Reversals for the year (note 13)	(24)	-
Amounts charged-off	(9,774)	(4,462)
Balance on 31 December	150,505	154,076

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank'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 lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 55,817,000 (31 December 2017: Euros 54,762,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

37. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Creditors:		
Suppliers	42,183	36,699
From factoring operations	26,323	24,937
Deposit account applications and others applications	73,706	55,073
Associated companies	10	-
For futures and options transactions	13,731	10,972
Obligations not covered by the Group Pension Fund - amounts payable by the Bank	6,432	20,582
Other creditors		
Residents	41,776	42,469
Non-residents	211,059	577
Public sector	30,996	29,729
Interests and other amounts payable	30,157	18,839
Deferred income	7,453	5,725
Holiday pay and subsidies	49,769	43,694
Amounts payable on trading activity	4,810	1,441
Operations to be settled - foreign, transfers and deposits	214,262	218,834
Other liabilities	108,176	107,720
	860,843	617,291

The caption Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 6,238,000 (31 December 2017: Euros 9,098,000) 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 46. As at 31 December 2017 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 Bank.

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

38. Share capital and Other equity instruments

The Bank's share capital, as at 31 December 2018, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 44, pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 December 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.

As at 31 December 2018, the shareholders who hold individually or jointly 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Grupo Fosun - Chiado (Luxembourg) S.a.r.l. detida pela Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, diretamente	2,946,353,914	19.49%	19.49%
BlackRock, Inc. *	512,328,512	3.39%	3.39%
Fundo de Pensões EDP **	315,336,362	2.09%	2.09%
Total Qualified Shareholdings	7,892,521,406	52.22%	52.22%

(*) 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.

39. 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 or until the sum of the free reserves constituted and the retained earnings, if higher. 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 31 December 2018, the amount of Legal reserves amounts to Euros 234,608,000 (31 December 2017: Euros 222,806,000).

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.

40. Fair value reserves and reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	(19,971)	n.a.
Equity instruments	(34,107)	n.a.
Financial assets available for sale (note 21)		
Debt instruments (*)	n.a.	(6,715)
Equity instruments	n.a.	44,108
Financial assets held to maturity (**)	n.a.	(451)
	(54,078)	36,942
Cash-flow hedge	113,700	26,236
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	4,151	n.a.
	63,773	63,178
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	6,251	n.a.
Equity instruments	2,698	n.a.
Financial assets available for sale		
Debt instruments	n.a.	2,102
Equity instruments	n.a.	(12,708)
Financial assets held to maturity	n.a.	141
Cash-flow hedge	(35,588)	(8,212)
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	(1,299)	n.a.
	(27,938)	(18,677)
	35,835	44,501
Legal reserve (note 39)	234,608	222,806
Statutory reserves (note 39)	30,000	30,000
	264,608	252,806
Other reserves and retained earnings	487,060	(106,192)
	787,503	191,115

(*) 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 B (2017:1 C).

During 2018, the changes occurred in Fair value changes - Gross amount, 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)

	2018						
	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 31 December 2018
Financial assets at fair value through other comprehensive income							
Debt instruments							
Portuguese public debt securities	-	(65,731)	39,420	(5,337)	(3,526)	(10,459)	(45,633)
Others	-	56,141	(23,963)	(6,818)	2,738	(2,436)	25,662
	-	(9,590)	15,457	(12,155)	(788)	(12,895)	(19,971)
Equity instruments	-	(69,382)	(959)	-	-	36,234	(34,107)
Financial assets available for sale							
Debt instruments							
Portuguese public debt securities	(65,350)	65,350	-	-	-	-	-
Others	58,635	(58,635)	-	-	-	-	-
	(6,715)	6,715	-	-	-	-	-
Equity instruments							
Visa Inc.	2,112	(2,112)	-	-	-	-	-
Others	41,996	(41,996)	-	-	-	-	-
	44,108	(44,108)	-	-	-	-	-
Financial assets held to maturity	(451)	451	-	-	-	-	-
	36,942	(115,914)	14,498	(12,155)	(788)	23,339	(54,078)

The negative amount of Euros 115,914,000 of adjustments due to the implementation of IFRS 9 corresponds, as described in note 52, to the impact arising from the adoption of IFRS 9 in the balance Fair value changes and the variations resulting from changes in the classification of securities.

The Disposals regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income, corresponding in 2018 to a gain of Euros 12,895,000 and a loss of Euros 36,234,000, respectively.

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

(Thousands of euros)

	2017					
	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
Financial assets available for sale						
Debt instruments						
Portuguese public debt securities	(225,170)	278,269	(84,995)	-	(33,454)	(65,350)
Others	39,198	126,043	(767)	20	(105,859)	58,635
	(185,972)	404,312	(85,762)	20	(139,313)	(6,715)
Equity instruments						
Visa Inc.	462	1,650	-	-	-	2,112
Others	47,020	(98,062)	-	70,290	22,748	41,996
	47,482	(96,412)	-	70,290	22,748	44,108
Financial assets held to maturity	(703)	252	-	-	-	(451)
	(139,193)	308,152	(85,762)	70,310	(116,565)	36,942

41. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Guarantees granted		
Guarantees	3,242,423	2,966,103
Stand-by letter of credit	67,103	42,133
Open documentary credits	264,222	293,752
Bails and indemnities	139,345	190,303
Other liabilities	108,850	168,760
	3,821,943	3,661,051
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	1,188,515	1,320,999
Securities subscription	97,159	105,341
Other irrevocable commitments	113,633	110,446
Revocable commitments		
Revocable credit lines	4,222,553	4,180,826
Bank overdraft facilities	542,389	663,624
Other revocable commitments	93,152	-
	6,257,401	6,381,236
Guarantees received	19,924,548	21,792,044
Commitments from third parties	9,357,320	10,679,342
Securities and other items held for safekeeping	51,939,148	53,314,176
Securities and other items held under custody by the Securities Depository Authority	61,622,103	59,748,170
Other off balance sheet accounts	120,782,241	123,817,080

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

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

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

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

42. Assets under management and custody

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of euros)

	2018	2017
Assets under deposit	48,235,366	49,282,175
Wealth management	2,140,906	1,920,244
	50,376,272	51,202,419

43. Transfers of assets

The Bank 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 31 December 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 Net assets value (NAV), 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 2018 and 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 December 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)
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 (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

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

During 2018, it was liquidated the fund Vallis Construction Sector Fund.

The amounts accumulated as at 31 December 2017, related to these operations are analysed as follows:

(Thousands of euros)

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

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

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

(Thousands of euros)

	2018			
	Senior securities	Junior securities		
	Participation units (*) (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	86,669	-	33,280	119,949
Imparirmant and other fair value ajustments	(11,315)	-	(33,280)	(44,595)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	262,920	38,154	-	301,074
Impairment and other fair value adjustments	1,826	(38,154)	-	(36,328)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Discovery Real Estate Fund				
Gross value	152,938	-	-	152,938
Impairment and other fair value adjustments	1,001	-	-	1,001
	153,939	-	-	153,939
Fundo Vega FCR				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,284)
	42,160	-	-	42,160
Total Gross value	1,171,029	226,049	33,280	1,430,358
Total impairment and other fair value adjustments	(164,041)	(226,049)	(33,280)	(423,370)
	1,006,988	-	-	1,006,988

(*) 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 21).

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 31 December 2018, corresponds to the NAV at that date. 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 2018 for 4 of the 7 funds and with reference to 31 December 2017 for 3 of the 7 funds (and Revision Report Limited with reference to 30 June 2018 for 1 of these 3 funds), 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)

	2017				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	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

As at 31 December 2018, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2018		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	101,133	86,419	14,714
FLIT-PTREL	262,231	262,231	-
Fundo Recuperação FCR	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952
Discovery Real Estate Fund	153,243	153,243	-
Fundo Vega FCR	49,616	46,233	3,383
	1,239,641	1,168,932	70,709

The amount of subscribed capital does not include additional subscription commitments, which amount to Euros 19,596,000 in FLIT-PTREL and Euros 6,854,000 in Discovery.

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2018	2017
Loans and advances to customers	282,480	271,997
Guarantees granted and irrevocable credit lines	55,089	34,114
Gross exposure	337,569	306,111
Impairment	(85,884)	(75,571)
Net exposure	251,685	230,540

44. Relevant events occurred during 2018

Resolutions of the general meeting

On 5 November 2018, 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.

Reduction of share capital of banco comercial português, S.A.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced to Euros 4,725,000,000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

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.

Merger by incorporation of the real estate companies Sadamora and Enerparcela

Merger by incorporation, through the global transfer of assets, of Sadamora - Investimentos Imobiliários, S.A. and Enerparcela - Empreendimentos Imobiliários, S.A., at Banco Comercial Português, S.A.

45. 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 Bank'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 31 December 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 Bank 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 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 Bank 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 Bank 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 Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

As at 31 December 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	-0.44%	2.77%	0.44%	0.02%
AUD	n.a.	n.a.	1.85%	2.34%
CAD	n.a.	n.a.	1.70%	2.31%
CHF	n.a.	n.a.	n.a.	-0.35%
CNY	n.a.	n.a.	n.a.	2.79%
DKK	n.a.	n.a.	n.a.	-0.14%
GBP	n.a.	3.64%	n.a.	1.09%
HKD	n.a.	2.29%	n.a.	1.98%
MOP	n.a.	n.a.	n.a.	2.14%
NOK	n.a.	n.a.	n.a.	1.57%
PLN	n.a.	n.a.	n.a.	1.83%
SEK	n.a.	n.a.	n.a.	0.17%
USD	2.87%	3.84%	2.74%	2.97%
ZAR	n.a.	n.a.	7.20%	7.38%

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	-0.09%	3.70%	0.60%	0.08%
AUD	n.a.	n.a.	n.a.	2.08%
CAD	n.a.	1.66%	n.a.	1.90%
CHF	n.a.	n.a.	n.a.	-0.37%
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.	0.80%
HKD	n.a.	1.51%	n.a.	1.16%
MOP	n.a.	1.25%	n.a.	1.51%
NOK	0.80%	4.36%	n.a.	1.25%
PLN	n.a.	n.a.	1.88%	1.95%
SEK	n.a.	n.a.	n.a.	0.02%
USD	1.98%	2.80%	2.02%	2.10%
ZAR	7.22%	n.a.	n.a.	7.58%

Financial assets and liabilities 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 (IAS39)

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 as a result of 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 (IFRS 9)

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 remunerated 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, when applicable. 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 Bank.

As original reference, the Bank 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 costumers of the Bank, 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 reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 7.18% (31 December, 2017: 6.76%). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 2.64% (31 December, 2017: 2.01%). For senior and collateralised securities placed on the retail market, the average discount rate was 0.36% (31 December 2017: 1.06%).

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2018 is a positive amount of Euros 12,432,000 (31 December 2017: a positive amount of Euros 8,613,000), and includes a receivable amount of Euros 857,000 (31 December 2017: a payable amount of Euros 158,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2018 and 2017, 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 assets and liabilities of the Bank:

	2018			
	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	2.75%	0.75%	1.44%
7 days	-0.40%	2.55%	0.78%	1.44%
1 month	-0.41%	2.57%	0.80%	1.54%
2 months	-0.38%	2.61%	0.85%	1.58%
3 months	-0.36%	2.72%	0.96%	1.62%
6 months	-0.29%	2.81%	1.08%	1.69%
9 months	-0.23%	2.88%	1.18%	1.72%
1 year	-0.23%	2.74%	1.29%	1.74%
2 years	-0.18%	2.65%	1.16%	1.82%
3 years	-0.07%	2.58%	1.22%	1.91%
5 years	0.20%	2.57%	1.30%	2.12%
7 years	0.47%	2.62%	1.36%	2.29%
10 years	0.82%	2.70%	1.43%	2.48%
15 years	1.17%	2.79%	1.51%	2.75%
20 years	1.35%	2.82%	1.55%	2.88%
30 years	1.41%	2.81%	1.54%	2.88%

	2017			
	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	1.42%	0.47%	1.47%
7 days	-0.43%	1.50%	0.51%	1.47%
1 month	-0.42%	1.63%	0.50%	1.55%
2 months	-0.39%	1.65%	0.56%	1.58%
3 months	-0.38%	1.70%	0.61%	1.62%
6 months	-0.32%	1.83%	0.72%	1.71%
9 months	-0.27%	1.90%	0.81%	1.72%
1 year	-0.26%	1.88%	0.88%	1.80%
2 years	-0.15%	2.06%	0.78%	2.03%
3 years	0.01%	2.15%	0.89%	2.22%
5 years	0.31%	2.23%	1.03%	2.50%
7 years	0.57%	2.30%	1.14%	2.70%
10 years	0.89%	2.38%	1.27%	2.94%
15 years	1.25%	2.47%	1.41%	3.25%
20 years	1.42%	2.51%	1.46%	3.37%
30 years	1.50%	2.52%	1.43%	3.37%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2018:

(Thousands of euros)

	2018				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,682,922	1,682,922	1,682,922
Loans and advances to credit institutions repayable on demand	-	-	186,477	186,477	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	2,044,730	2,044,730	2,055,465
Loans and advances to customers (i)	-	-	30,988,338	30,988,338	30,950,023
Debt instruments	-	-	2,641,291	2,641,291	2,647,759
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	-	-	695,752	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034	33,034
Financial assets at fair value through other comprehensive income	-	6,996,892	-	6,996,892	6,996,892
Hedging derivatives (ii)	92,891	-	-	92,891	92,891
	2,411,576	6,996,892	37,543,758	46,952,226	46,931,114
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	8,372,537	8,372,537	8,375,877
Resources from customers (i)	-	-	34,217,917	34,217,917	34,230,293
Non subordinated debt securities issued (i)	-	-	1,198,767	1,198,767	1,211,199
Subordinated debt (i)	-	-	825,624	825,624	839,676
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	-	-	295,695	295,695
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	68,486	-	-	68,486	68,486
	3,967,828	-	44,614,845	48,582,673	48,624,873

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(Thousands of euros)

	2017				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,291,663	1,291,663	1,291,663
Loans and advances to credit institutions repayable on demand	-	-	156,460	156,460	156,460
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	1,254,472	1,254,472	1,257,994
Loans and advances to customers (i)	-	-	31,349,425	31,349,425	29,622,473
Debt instruments	-	-	2,007,520	2,007,520	2,017,085
Financial assets at fair value through profit or loss					
Financial assets held for trading	770,639	-	-	770,639	770,639
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336	142,336
Financial assets available for sale	-	6,692,982	-	6,692,982	6,692,982
Financial assets held to maturity	-	-	342,785	342,785	339,902
Hedging derivatives (ii)	18,804	-	-	18,804	18,804
	931,779	6,692,982	36,402,325	44,027,086	42,310,338
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,825,051	7,825,051	7,753,210
Resources from customers (i)	-	-	32,135,035	32,135,035	32,146,967
Non subordinated debt securities issued (i)	-	-	1,440,628	1,440,628	1,449,241
Subordinated debt (i)	-	-	1,021,541	1,021,541	1,127,749
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	381,380	-	-	381,380	381,380
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645	3,843,645
Hedging derivatives (ii)	112,352	-	-	112,352	112,352
	4,337,377	-	42,422,255	46,759,632	46,814,544

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank 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 on the basis of 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 Bank, as at 31 December 2018:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,682,922	-	-	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	-	-	186,477
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	2,055,465	2,055,465
Loans and advances to customers	-	-	30,950,023	30,950,023
Debt instruments	122,601	226,848	2,298,310	2,647,759
Financial assets at fair value through profit or loss				
Financial assets held for trading	52,280	349,504	293,968	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034
Financial assets at fair value through other comprehensive income	6,381,244	461,681	153,967	6,996,892
Hedging derivatives	-	92,891	-	92,891
	8,458,558	1,130,924	37,341,632	46,931,114
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	8,375,877	8,375,877
Resources from customers	-	-	34,230,293	34,230,293
Non subordinated debt securities issued	-	-	1,211,199	1,211,199
Subordinated debt	-	-	839,676	839,676
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	295,677	18	295,695
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	68,486	-	68,486
	678,192	364,163	47,582,518	48,624,873

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand	156,460	-	-	156,460
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	1,257,994	1,257,994
Loans and advances to customers	-	-	29,622,473	29,622,473
Debt instruments	-	-	2,017,085	2,017,085
Financial assets at fair value through profit or loss				
Financial assets held for trading	73,575	409,153	287,911	770,639
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets available for sale	4,610,516	219,114	1,863,352	6,692,982
Financial assets held to maturity	52,383	287,520	-	339,903
Hedging derivatives	-	18,804	-	18,804
	6,326,933	934,591	35,048,815	42,310,339
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,753,210	7,753,210
Resources from customers	-	-	32,146,967	32,146,967
Non subordinated debt securities issued	-	-	1,449,241	1,449,241
Subordinated debt	-	-	1,127,749	1,127,749
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	381,044	336	381,380
Financial liabilities designated at fair value through profit or loss	763,919	-	3,079,726	3,843,645
Hedging derivatives	-	112,352	-	112,352
	763,919	493,396	45,557,229	46,814,544

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2018 is presented as follows:

(Thousands of euros)

	2018					
	Financial assets					
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	available for sale	Total	Financial liabilities held for trading
Balance as at 31 December 2017	287,911	-	-	1,863,352	2,151,263	336
Impact of transition to IFRS 9	-	1,832,493	30,859	(1,863,352)	-	-
Balance on 1 January 2018	287,911	1,832,493	30,859	-	2,151,263	336
Gains / (losses) recognised in profit or loss						
Results on financial operations	4,637	(29,082)	-	-	(24,445)	-
Net interest income	17	-	897	-	914	-
Transfers between levels	2,735	-	79,081	-	81,816	(332)
Increase / (reduction) share capital	-	(182,497)	-	-	(182,497)	-
Purchases	-	7,117	60,694	-	67,811	14
Sales, repayments or amortisations	(1,332)	(38,508)	(19,789)	-	(59,629)	-
Gains / (losses) recognised in reserves	-	-	2,235	-	2,235	-
Exchange differences	-	376	-	-	376	-
Accruals of interest	-	-	(10)	-	(10)	-
Balance as at 31 December 2018	293,968	1,589,899	153,967	-	2,037,834	18

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2017 is presented as follows:

(Thousands of euros)

	2017			
	Financial assets			
	held for trading	available for sale	Total	Financial liabilities held for trading
Balance on January 1	604,211	1,965,328	2,569,539	63,779
Gains / (losses) recognised in profit or loss				
Results on financial operations	42,739	7,788	50,527	-
Net interest income	-	2,045	2,045	-
Impairment and other provisions	-	(70,059)	(70,059)	-
Transfers between levels	(350,191)	-	(350,191)	(55,730)
Purchases	469	378,869	379,338	332
Sales, repayments or amortisations	(9,317)	(423,644)	(432,961)	(8,045)
Gains / (losses) recognised in reserves	-	3,027	3,027	-
Accruals of interest	-	(2)	(2)	-
Balance as at December 31	287,911	1,863,352	2,151,263	336

46. Post-employment benefits and other long term benefits

The Bank 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 R).

As at 31 December 2018 and 2017, the number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	2018	2017
Number of participants		
Pensioners	16,811	16,697
Former attendees acquired rights	3,147	3,224
Employees	7,085	7,205
	27,043	27,126

In accordance with the accounting policy described in note 1 R), the Bank's retirement pension liabilities and other benefits and the respective coverage for the Group, as at 31 December 2018 and 2017, based on the Projected Unit credit method are analysed as follows:

(Thousands of euros)

	2018	2017
Actual amount of the past services		
Pensioners	2,043,969	1,989,404
Former attendees acquired rights	189,632	202,400
Employees	806,804	833,875
	3,040,405	3,025,679
Pension Fund Value	(3,050,346)	(3,139,522)
Net (Assets) in balance sheet (note 29)	(9,941)	(113,843)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,269,738	3,172,332

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 also 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 in December 2018 amounted to Euros 284,282,000 (31 December 2017: Euros 296,485,000). 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)

	2018	2017		
	Pension benefit obligations	Pension benefit obligations	Extra-Fund	Total
Balance as at 1 January	3,025,679	2,745,091	323,268	3,068,359
Service cost	(15,472)	(16,054)	-	(16,054)
Interest cost / (income)	62,491	57,054	6,376	63,430
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	43,655	26,052	(2,337)	23,715
Payments	(101,829)	(79,691)	(16,732)	(96,423)
Early retirement programmes and terminations by mutual agreement	19,302	13,957	-	13,957
Contributions of employees	7,961	8,106	-	8,106
Changes occurred in the Collective Labour Agreement (CLA)	-	(39,436)	-	(39,436)
Transfer from / (to) other plans (a)	(1,382)	310,600	(310,575)	25
Balance at the end of the year	3,040,405	3,025,679	-	3,025,679

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

As at 31 December 2018, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 101,829,000. As at 31 December 2017, the amount of pensions paid by the Fund, excluding other benefits included in the Extra-Fund, amounted to Euros 79,691,000.

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 298,834,000 as at 31 December 2018 (31 December 2017: Euros 305,243,000).

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 31 December 2018 amounts to Euros 62,677,000 (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 Collective Labour Agreement (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". "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA only formalized 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 44,262,000 (of which Euro 4,826,000 do not correspond to benefits post-employment). The new CLAs have 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 2018 and 2017, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2018	2017
Balance as at 1 January	3,139,522	3,098,124
Actuarial gains / (losses)	(53,751)	52,614
Payments	(101,829)	(79,691)
Expected return on plan assets	59,445	58,894
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	380	1,451
Employees' contributions	7,961	8,106
Transfer from / (to) other plans (a)	(1,382)	24
Balance at the end of the year	3,050,346	3,139,522

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The elements that make up the share value of the Bank in the assets of the Pension Fund are analyzed as follows:

(Thousands of euros)

	2018			2017		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	277,652	102,052	379,704	275,874	94,945	370,819
Bonds and other fixed income securities	1,045,016	4,154	1,049,170	1,049,980	4,881	1,054,861
Participations units in investment funds	-	745,762	745,762	-	802,019	802,019
Participation units in real estate funds	-	273,625	273,625	-	261,787	261,787
Properties	-	243,153	243,153	-	252,162	252,162
Loans and advances to credit institutions and others	-	358,932	358,932	-	397,874	397,874
	1,322,668	1,727,678	3,050,346	1,325,854	1,813,668	3,139,522

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2018 amounts to Euros 100,691,000 (31 December 2017: Euros 93,582,000). 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 31 December 2018, amounts to Euros 243,153,000 (31 December 2017: Euros 251,819,000), mostly a set of properties called "Taguspark" whose book value of the Bank's share amounts, as at 31 December 2018, to Euros 241,526,000 (31 December 2017: Euros 241,685,000). This book value was calculated on the basis of 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)

	2018	2017
Bonds and other fixed income securities	12,098	41
Loans and advances to credit institutions and others	272,916	323,795
	285,014	323,836

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2018	2017
Balance as at 1 January	(113,843)	(29,765)
Recognised in the income statement:		
Service cost	(15,472)	(16,054)
Interest cost / (income) net of the balance liabilities coverage	3,046	4,536
Cost with early retirement programs	19,302	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,451)
Changes occurred in the Collective Labour Agreement	-	(39,436)
	6,496	(38,448)
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	53,751	(52,614)
Difference between expected and effective obligations	43,655	23,715
	97,406	(28,899)
Payments	-	(16,731)
Balance at the end of the year	(9,941)	(113,843)

The estimated contributions to be made in 2019, by the Bank and by the employees, for the Defined Benefit Plan amount to Euros 10,191,000 and Euros 7,805,000, respectively.

In accordance with IAS 19, as at 31 December 2018, the Bank accounted post-employment benefits as a cost in the amount of Euros 6,496,000 (31 December 2017: gain of Euros 38,448,000), which is analysed as follows:

(Thousands of euros)

	2018	2017
Current service cost	(15,472)	(16,054)
Net interest cost in the liability coverage balance	3,046	4,536
Cost with early retirement programs	19,302	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,451)
Changes occurred in the Collective Labour Agreement	-	(39,436)
(Income) / Cost of the year	6,496	(38,448)

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 / CLA 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 taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Board of directors plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the policy associated with the retirement regulations of former Board of Directors, the Bank registered the responsibility of supporting the cost: (i) with the retirement pensions of former Group's Executive Board Members: (ii) as 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 37), are analysed as follows:

(Thousands of euros)

	2018	2017
Balance as at 1 January	3,733	3,837
Reversal	-	(104)
Balance at the end of the year	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 Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2018	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 2018 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 in IAS 19, considering that these are defined benefit plans that share risks between entities over common control, information is obtained on the plan as a whole, which is assessed in accordance with the requirements of IAS 19 on the basis of the applicable assumptions to the plan as a whole.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined 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 31 December 2018 and 2017, the Bank used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

Net actuarial losses amounts to Euros 97,406,000 (31 December 2017: actuarial gains amounts to Euros 28,899,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values actually verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2018		2017	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		43,655		23,715
Deviation between expected income and income from funds	0.18%	53,751	4.16%	(52,614)
		97,406		(28,899)

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			
	2018		2017	
	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Discount rate	124,069	(119,708)	128,087	(120,462)
Pensions increase rate	(131,118)	140,325	(123,921)	152,087
Increase in future compensation levels	(25,379)	42,795	(34,086)	36,516

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2018		2017 (*)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	96,452	(102,840)	97,819	(98,095)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy

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, cumulatively: (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. As at 31 December 2018, the Bank accounted as staff costs the amount of Euros 81,000 (31 December 2017: Euros 61,000) related to this contribution.

47. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 53 - List of subsidiary and associated companies of Banco Comercial Português S.A., 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.

According to Portuguese law, in particular 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 38.

A) Transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2018	2017
Assets		
Financial assets at amortised cost		
Loans and advances to customers	101,350	62,822
Debt instruments	150,614	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	6,102	11,704
Financial assets at fair value through other comprehensive income	32,968	n.a.
Financial assets available for sale	n.a.	61,356
Other Assets	53	-
	291,087	286,496
Liabilities		
Resources from customers	159,091	280,648
	159,091	280,648

Loans and advances to customers are net of impairment in the amount of Euros 744,000 (31 December 2017: Euros 77,000).

During 2018 and 2017, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2018	2017
Income		
Interest and similar income	10,858	7,188
Commissions income	6,834	5,880
	17,692	13,068
Costs		
Interest and similar expenses	116	807
Commissions expenses	124	256
	240	1,063

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2018	2017
Guarantees granted	100,329	39,164
Revocable credit lines	50,851	236,577
Irrevocable credit lines	150,121	121
	301,301	275,862

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	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	7	19	-	-
Executive Committee	114	124	-	-
Closely related people	300	13	-	-
Controlled entities	-	-	-	22
Key management members				
Key management members	6,141	6,592	-	-
Closely related people	611	461	-	-
Controlled entities	17	78	-	-
	7,190	7,287	-	22

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)

	Resources from credit institutions		Resources from customers	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	-	-	5,915	556
Executive Committee	-	-	868	2,664
Closely related people	-	-	322	1,844
Controlled entities	-	14,838	30	459
Key management members				
Key management members	-	-	6,133	7,134
Closely related people	-	-	2,353	1,680
Controlled entities	-	-	1,818	1,728
	-	14,838	17,439	16,065

As at 31 December 2018 and 2017, the balances with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	-	-	16	78
Executive Committee	-	-	12	28
Closely related people	-	1	5	15
Controlled entities	-	-	-	148
Key management members				
Key management members	43	46	46	64
Closely related people	9	8	28	36
Controlled entities	-	3	9	10
	52	58	116	379

As at 31 December 2018 and 2017, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	71	3	2	2
Executive Committee	-	2	-	1
Closely related people	-	4	-	1
Controlled entities	-	63	-	1
Key management members				
Key management members	26	38	2	2
Closely related people	3	5	1	1
Controlled entities	1	2	2	2
	101	117	7	10

Revocable and irrevocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	22	83	-	-
Executive Committee	70	105	-	-
Closely related people	32	99	-	-
Controlled entities	-	25	-	-
Key management members				
Key management members	375	317	50	8
Closely related people	141	135	24	-
Controlled entities	14	16	-	-
	654	780	74	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	
	2018	2017	2018	2017	2018	2017
Remunerations	3,634	3,676	1,209	786	6,406	6,651
Supplementary retirement pension	5,658	776	-	-	-	-
Post-employment benefits	(5)	19	-	-	(120)	(18)
Other mandatory social security charges	895	887	291	188	1,582	1,648
	10,182	5,358	1,500	974	7,868	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 and 2017, no variable remuneration was attributed to the members of the Executive Committee.

During 2018 no severance payments were made to key management members. During 2017, were paid Euros 150,000 of severance payments to one key management member.

As approved at the General Shareholders' Meeting of May 2018, the balance Supplementary retirement supplement includes, in 2018, 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.

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, is as follows:

Shareholders / Bondholders	Security	Number of securities at 31/12/2018	Number of securities at 31/12/2017	Acquisitions	Disposals	Date	Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184				
João Nuno Oliveira Jorge Palma	BCP Shares	32,695	32,695				
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	n.a.				
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,748	1,748				
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	0	0				
Miguel de Campos Pereira de Bragança	BCP Shares	365,968	365,968				
Miguel Maya Dias Pinheiro	BCP Shares	361,408	361,408				
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
Rui Manuel da Silva Teixeira (3)	BCP Shares	36,336	36,336				
Teófilo César Ferreira da Fonseca (4)	BCP Shares	10,000	0	10,000		29-Nov-18	0.240
Valter Rui Dias de Barros	BCP Shares	0	0				
Wan Sin Long	BCP Shares	0	0				
Xiao Xu Gu	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	2,000	0	2,000		6-Dec-18	0.245
Américo João Pinto Carola (5)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (6)	BCP Shares	39,040	39,040				
Ana Maria Jordão F. Torres Marques Tavares (7)	BCP Shares	82,635	82,635				
André Cardoso Meneses Navarro	BCP Shares	267,888	267,888				
António Augusto Amaral de Medeiros	BCP Shares	42,656	42,656				
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (8)	BCP Shares	113,000	113,000				
Artur Frederico Silva Luna Pais	BCP Shares	328,795	328,795				
Belmira Abreu Cabral	BCP Shares	0	0				
Carlos Alberto Alves	BCP Shares	106,656	106,656				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (9)	BCP Shares	29,354	29,354				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	48				
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500	500				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	1,600				
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
José Gonçalo Prior Regalado (10)	BCP Shares	0	0				

n.a. - not available

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

Shareholders / Bondholders	Security	Number of securities at 31/12/2018	Number of securities at 31/12/2017	Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	138,719				
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	21,328				
Maria Manuela de Araujo Mesquita Reis (11)	BCP Shares	106,656	106,656				
Maria Rita Sítima Fonseca Lourenço	BCP Shares	42,385	42,385				
Mário António Pinho Gaspar Neves	BCP Shares	30,000	30,000				
Mário Madeira Robalo Fernandes	BCP Shares	0	0				
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	30,600	30,600				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	14,816				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,613	10,613				
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	8,204	8,204				
Rui Emanuel Agapito Silva	BCP Shares	0	0				
Rui Fernando da Silva Teixeira	BCP Shares	12,614	12,614				
Rui Manuel Pereira Pedro	BCP Shares	149,328	149,328				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Américo Simões Regalado (10)	BCP Shares	880	880				
Ana Isabel Salgueiro Antunes (5)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (8)	BCP Shares	2,976	2,976				
António da Silva Bandeira (8)	BCP Shares	20,000	20,000				
Francisco Jordão Torres Marques Tavares (7)	BCP Shares	1,016	1,016				
José Francisco Conceição Monteiro (9)	BCP Shares	18,002	18,002				
José Manuel de Vasconcelos Mendes Ferreira (6)	BCP Shares	1,616	1,616				
Luís Filipe da Silva Reis (11)	BCP Shares	280,000	336,000		56,000	21-Dec-18	0.233
Maria Avelina V C L J Teixeira Diniz (7)	BCP Shares	16,770	16,770				
Maria Eugénia Pinto Tavares da Fonseca (4)	BCP Shares	37	37				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2)	BCP Shares	96,240	n.a.				
Ricardo Miranda Monteiro (9)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (9)	BCP Shares	1,639	1,639				

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

C) Balances and transactions with subsidiaries and associated companies, detailed in note 53

As at 31 December 2018, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost: Loans and advances to credit institutions	Financial assets at amortised cost: Loans and advances to customers	Financial assets at amortised cost: Debt instruments	Financial assets at fair value through profit or loss: held for trading	Financial assets at fair value through profit or loss: not held for trading mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	-	21	21
Banco de Investimento Imobiliário, S.A.	-	1,541,208	-	-	17,792	-	-	-	-	21,420	1,580,420
Banco Millennium Atlântico, S.A.	-	238,027	-	-	-	-	-	-	-	-	238,027
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	-	-	5
BCP Finance Bank Ltd	-	-	-	-	-	-	2,757	-	-	-	2,757
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,666	-	-	-	-	-	-	-	3,666
BIM - Banco Internacional de Moçambique, S.A.R.L.	187	310	-	-	1	-	-	-	-	2,674	3,172
Cold River's Homestead, S.A.	-	-	-	-	-	-	-	1,793	-	-	1,793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fiparso- Sociedade Imobiliária Lda.	-	-	40	-	-	-	-	-	-	5	45
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	-	400	400
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	-	218	218
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	19	-	-	-	-	-	-	1	20
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	46	-	-	-	71	-	-	-	-	-	117
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	-	-	-	21,102	26	21,128
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	-	35	35
Magellan Mortgages No. 2 PLC	-	-	-	-	-	6,400	7,543	-	-	-	13,943
Magellan Mortgages No. 3 PLC	-	-	-	-	5,303	16,068	73,373	-	-	-	94,744
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	59,423	-	107,843	-	-	257,250	-	14,509	439,025
Millennium bcp Bank & Trust	-	-	-	-	569	-	-	-	-	-	569
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	-	-	18,973	18,973
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	-	-	57,195	57,195
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	-	-	-	166,287	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9,824	-	-	-	-	-	-	3	9,827
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	4,450	950	-	-	-	-	-	-	5,400
Planfipsa S.G.P.S., S.A. (Group)	-	-	50,808	-	-	-	-	-	-	42,413	93,221
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	-	-	-	650	650
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	-	3	-	-	-	-	-	-	-	3
UNICRE - Instituição Financeira de Crédito, S.A.	-	36,453	3	-	-	-	-	-	-	-	36,456
Webspectator Corporation	-	-	-	-	-	-	-	-	16,844	-	16,844
	238	1,815,998	128,236	950	131,579	22,468	83,673	259,043	81,728	324,853	2,848,766

As at 31 December 2017, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost			Financial assets at fair value through profit or loss				
		Loans and advances to credit institutions	Loans and advances to customers	Debt instruments	Financial assets held for trading	Financial assets available for sale	Non-curent assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	22	22
Banco de Investimento Imobiliário, S.A.	-	414,716	-	-	480	-	-	56,838	472,034
Banco Millennium Atlântico, S.A.	1,798	264,029	-	-	-	-	-	-	265,827
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	5
BCP Capital - Sociedade de Capital de Risco, S.A.	-	-	-	-	-	-	-	4	4
BCP Finance Bank Ltd	-	-	-	-	-	3,235	-	-	3,235
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,382	-	-	-	-	162	3,544
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	-	-	-	83	-	-	2,331	2,602
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
Finalgarve-Sociedade de Promoção Imobiliária Turística S.A.	-	-	373	-	-	-	-	49	422
Fiparso- Sociedade Imobiliária Lda.	-	-	26	-	-	-	-	5	31
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	3	3
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	575	575
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	229	229
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	43	-	-	-	-	3	46
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	2	2
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	2	2
Group Bank Millennium (Poland)	293	-	-	-	-	-	-	3	296
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	-	38,477	-	38,477
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	86	86
Irgossai - Urbanização e construção, S.A.	-	-	4,382	-	-	-	-	-	4,382
Magellan Mortgages No. 2 PLC	-	-	-	-	-	16,329	-	-	16,329
Magellan Mortgages No. 3 PLC	-	-	-	-	5,848	112,531	-	-	118,379
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	58,974	-	91,084	-	-	12,824	162,882
Millennium bcp Bank & Trust	-	-	-	-	954	-	-	-	954
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	18,804	18,804
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	57,203	57,203
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	-	290,447	290,447
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	102,002	102,002
MR – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	9,824	-	-	-	-	-	9,824
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	1,459	-	-	-	-	3	1,462
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	2,432	1,851	15	-	-	-	4,298
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	-	650	650
UNICRE - Instituição Financeira de Crédito, S.A.	-	44,565	23	-	-	-	-	-	44,588
Webspectator Corporation	-	-	-	-	-	-	16,043	-	16,043
	2,284	723,310	80,918	1,851	98,464	132,095	98,302	542,259	1,679,483

As at 31 December 2018, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	339	-	-	-	-	-	339
Banco ActivoBank, S.A.	403,753	-	-	-	-	-	16,088	419,841
Banco de Investimento Imobiliário, S.A.	174,754	-	-	-	-	-	5,660	180,414
Banco Millennium Atlântico, S.A.	52,512	-	-	-	121	-	-	52,633
Banque BCP, S.A.S.	109,911	-	-	-	-	-	-	109,911
Banque Privée BCP (Suisse) S.A.	15,168	-	-	-	-	-	-	15,168
BCP África, S.G.P.S., Lda.	-	91,180	-	-	-	-	-	91,180
BCP Capital - Sociedade de Capital de Risco, S.A.	-	3,518	-	-	-	-	2	3,520
BCP Finance Bank Ltd	110,530	-	-	-	-	-	-	110,530
BCP Finance Company, Ltd	-	117,474	-	-	-	-	-	117,474
BCP International, B.V.	-	94,929	-	-	-	-	-	94,929
BCP Investment, B.V.	-	29,083	-	-	-	-	-	29,083
BIM - Banco Internacional de Moçambique, S.A.R.L.	2,034	-	-	-	107	-	9	2,150
Cold River's Homestead, S.A.	-	1,510	-	-	-	-	-	1,510
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	-	1,031	-	-	-	-	-	1,031
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	622	-	-	-	-	-	622
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	316	-	-	-	-	-	316
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	165	-	-	-	-	-	165
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	8,831	-	-	-	-	-	8,831
Fundo de Investimento Imobiliário Fechado Gestimo	-	4,200	-	-	-	-	-	4,200
Fundo de Investimento Imobiliário Gestão Imobiliária	-	262	-	-	-	-	-	262
Fundo de Investimento Imobiliário Imorenda	-	1,947	-	-	-	-	-	1,947
Fundo de Investimento Imobiliário Imosotto Acumulação	-	3,009	-	-	-	-	-	3,009
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	1,434	-	-	-	-	-	1,434
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	669	-	-	-	-	-	669
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,062	-	-	-	-	-	1,062
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	480	-	-	-	-	-	480
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	320	-	-	-	-	-	320
Group Bank Millennium (Poland)	212	-	-	-	5	-	-	217
Imábida - Imobiliária da Arrábida, S.A.	-	152	-	-	-	-	-	152
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,042	-	-	-	-	24	5,066
Irgossai - Urbanização e construção, S.A.	-	262	-	-	-	-	-	262
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,311	132,911	474,810	27,155	31,995	(2)	1,200,180
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,476	-	-	-	-	70	4,546
Millennium bcp Bank & Trust	330,550	-	-	-	-	-	-	330,550
Millennium bcp Imobiliária, S.A.	-	31,304	-	-	-	-	-	31,304
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	13,120	-	-	-	-	-	13,120
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	105	-	-	-	-	-	105
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7,032	-	-	-	-	-	7,032
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	878	-	-	-	-	-	878
Mundotêxtil - Indústrias Têxteis, S.A.	-	86	-	-	-	-	-	86
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1,363	-	-	-	-	-	1,363
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	3,059	-	-	-	-	-	3,059
Planfipsa S.G.P.S., S.A. (Group)	-	2,204	-	-	-	-	-	2,204
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	76	-	-	-	-	-	76
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,476	-	-	-	-	-	2,476
Setelote-Aldeamentos Turísticos, S.A.	-	149	-	-	-	-	-	149
Servitrust - Trust Management Services S.A.	-	12	-	-	-	-	-	12
SIBS, S.G.P.S., S.A.	-	5,957	-	-	-	-	-	5,957
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	805	-	-	-	-	-	805
UNICRE - Instituição Financeira de Crédito, S.A.	30	-	-	-	-	-	-	30
	1,199,454	974,250	132,911	474,810	27,388	31,995	21,851	2,862,659

As at 31 December 2018, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 32,727,000.

As at 31 December 2017, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Adelphi Gere, Investimentos Imobiliários, S.A.	-	198	-	-	-	-	-	198
Banco ActivoBank, S.A.	100,801	-	-	-	-	-	12,057	112,858
Banco de Investimento Imobiliário, S.A.	293,430	-	-	28,763	2,427	-	6,630	331,250
Banco Millennium Atlântico, S.A.	95,776	-	-	-	-	-	-	95,776
Banque BCP, S.A.S.	111,293	-	-	-	-	-	-	111,293
Banque Privée BCP (Suisse) S.A.	14,983	-	-	-	-	-	-	14,983
BCP África, S.G.P.S., Lda.	-	75,703	-	-	-	-	-	75,703
BCP Capital - Sociedade de Capital de Risco, S.A.	-	11,280	-	-	-	-	-	11,280
BCP Finance Bank Ltd	112,030	-	-	-	1,147	-	-	113,177
BCP Finance Company, Ltd	-	105,931	-	71,190	-	-	-	177,121
BCP Holdings (USA), Inc.	-	37,261	-	-	-	-	-	37,261
BCP International, B.V.	-	94,966	-	-	-	-	-	94,966
BCP Investment, B.V.	-	163,667	-	-	-	-	-	163,667
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,926	-	-	-	-	-	6	1,932
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	300	-	-	-	-	-	300
Enerparcela - Empreendimentos Imobiliários, S.A.	-	1,856	-	-	-	-	-	1,856
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	2,911	-	-	-	-	-	2,911
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	98	-	-	-	-	-	98
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	2,481	-	-	-	-	-	2,481
Fundo de Investimento Imobiliário Fechado Gestimo	-	2,628	-	-	-	-	-	2,628
Fundo de Investimento Imobiliário Gestão Imobiliária	-	1,954	-	-	-	-	-	1,954
Fundo de Investimento Imobiliário Imorenda	-	140	-	-	-	-	-	140
Fundo de Investimento Imobiliário Imosotto Acumulação	-	12,930	-	-	-	-	-	12,930
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	64	-	-	-	-	-	64
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	712	-	-	-	-	-	712
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,012	-	-	-	-	-	1,012
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	364	-	-	-	-	-	364
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	88	-	-	-	-	-	88
Group Bank Millennium (Poland)	63	-	-	-	-	-	-	63
Imábida - Imobiliária da Arrábida, S.A.	-	77	-	-	-	-	-	77
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,536	-	-	-	-	-	5,536
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,743	323,732	480,359	40,323	138,471	(2)	1,516,626
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,449	-	-	-	-	1,691	6,140
Millennium bcp Bank & Trust	379,798	-	-	-	-	-	-	379,798
Millennium bcp Imobiliária, S.A.	-	2,009	-	-	-	-	-	2,009
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	85,518	-	-	-	-	-	85,518
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	129	-	-	-	-	2	131
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	115,859	-	-	-	-	-	115,859
Monumental Residence - Investimentos Imobiliários, S.A.	-	928	-	-	-	-	-	928
MR – Fundo Especial de Investimento Imobiliário Fechado	-	403	-	-	-	-	-	403
Mundotêxtil - Indústrias Têxteis, S.A.	-	36	-	-	-	-	-	36
MULTI 24 - Sociedade Imobiliária, S.A.	-	1,243	-	-	-	-	-	1,243
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,880	-	-	-	-	-	2,880
Setelote-Aldeamentos Turísticos, S.A.	-	167	-	-	-	-	-	167
Servitrust - Trust Management Services S.A.	-	19	-	-	-	-	-	19
SIBS, S.G.P.S., S.A.	-	4,464	-	-	-	-	-	4,464
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1,432	-	-	-	-	-	1,432
UNICRE - Instituição Financeira de Crédito, S.A.	4	-	-	-	-	-	-	4
	1,110,104	1,275,436	323,732	580,312	43,897	138,471	20,384	3,492,336

As at 31 December 2017, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 38,531,000.

As at 31 December 2018, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	851	123	-	36,012	22,945	59,931
Banco Millennium Atlântico, S.A.	9,746	1,055	28	-	-	10,829
Banque BCP, S.A.S.	-	1	-	-	3,339	3,340
Banque Privée BCP (Suisse) S.A.	-	937	63	-	6,998	7,998
BCP Capital - Sociedade de Capital de Risco, S.A.	-	5	-	-	7,500	7,505
BCP Finance Bank Ltd	488	-	-	93	-	581
BCP Investment, B.V.	-	-	-	-	133,300	133,300
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	53	-	-	-	-	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	3	215	10,937	1,898	-	13,053
Cold River's Homestead, S.A.	-	1	-	-	-	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	-	6
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	34	-	-	-	34
Fundo de Investimento Imobiliário Fechado Gestimo	-	14	-	-	-	14
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	145	-	-	-	145
Fundo de Investimento Imobiliário Imosotto Acumulação	-	223	-	-	-	223
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	20	34	-	-	-	54
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	20	-	-	-	20
Fundo Especial de Investimento Imobiliário Oceânico II	-	55	-	-	-	55
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	20	-	-	-	20
Group Bank Millennium (Poland)	-	3	-	93	-	96
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	308	61	-	4,013	4,382
Irgossai - Urbanização e construção, S.A.	15	-	-	-	-	15
Magellan Mortgages No. 2 PLC	1,317	113	-	-	-	1,430
Magellan Mortgages No. 3 PLC	4,749	424	-	-	-	5,173
Millennium bcp Bank & Trust	-	-	-	25	-	25
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,942	55,529	249	-	45,080	103,800
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	101	5,541	-	-	5,642
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	40	40
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7	-	-	-	7
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
MR – Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	-	16
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	9	3	-	-	-	12
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	(1)	40	-	-	-	39
Mundotêxtil - Indústrias Têxteis, S.A.	91	23	-	-	-	114
Planfipsa S.G.P.S., S.A. (Group)	2,156	53	7	-	-	2,216
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	-	276	-	-	276
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	18	-	-	-	18
SIBS, S.G.P.S., S.A.	1	30	-	-	-	31
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	2	-	-	50	52
UNICRE - Instituição Financeira de Crédito, S.A.	674	1,228	2	-	86	1,990
	23,114	60,824	17,194	38,121	223,351	362,604

As at 31 December 2017, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	1,670	1,549	-	40,465	14,860	58,544
Banco Millennium Atlântico, S.A.	7,607	880	85	-	-	8,572
Banque BCP, S.A.S.	-	2	-	-	2,844	2,846
Banque Privée BCP (Suisse) S.A.	-	984	99	-	-	1,083
BCP Capital - Sociedade de Capital de Risco, S.A.	-	1	-	-	-	1
BCP Finance Bank Ltd	314	-	-	354	-	668
BCP International, B.V.	-	-	-	-	20,759	20,759
BCP Investment, B.V.	2,618	-	-	-	28,619	31,237
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	111	-	-	-	-	111
BIM - Banco Internacional de Moçambique, S.A.R.L.	1	104	10,442	-	-	10,547
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	55	8	-	-	-	63
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	4	-	-	-	-	4
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	36	-	-	-	36
Fundo de Investimento Imobiliário Fechado Gestimo	-	15	-	-	-	15
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	173	-	-	-	173
Fundo de Investimento Imobiliário Imosotto Acumulação	-	237	-	-	-	237
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	27	-	-	-	27
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	23	-	-	-	23
Fundo Especial de Investimento Imobiliário Oceânico II	-	46	-	-	-	46
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	22	-	-	-	22
Group Bank Millennium (Poland)	1	33	-	-	-	34
Imoport - Fundo de Investimento Imobiliário Fechado	-	11	-	-	-	11
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	304	150	-	4,444	4,898
Irgossai - Urbanização e construção, S.A.	3	-	-	-	-	3
Magellan Mortgages No. 2 PLC	1,032	133	-	-	-	1,165
Magellan Mortgages No. 3 PLC	5,406	475	-	-	-	5,881
Millennium bcp Bank & Trust	-	-	-	206	-	206
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	270	54,398	239	-	-	54,907
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	137	4,986	-	-	5,123
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	222	222
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	17	-	-	-	17
Monumental Residence - Investimentos Imobiliários, S.A.	2,979	-	1	-	-	2,980
MR – Fundo Especial de Investimento Imobiliário Fechado	-	14	-	-	-	14
MULTI 24 - Sociedade Imobiliária, S.A.	100	1	-	-	-	101
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	4	42	-	-	-	46
Mundotêxtil - Indústrias Têxteis, S.A.	141	48	-	-	-	189
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	15	-	-	-	15
Sadamora - Investimentos Imobiliários, S.A.	-	19	-	-	-	19
Setelote-Aldeamentos Turísticos, S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	-	6	-	-	-	6
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1	-	-	50	51
UNICRE - Instituição Financeira de Crédito, S.A.	541	1,246	2	-	278	2,067
	22,858	61,043	16,034	41,025	72,076	213,036

As at 31 December 2018, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	105	16,416	-	-	-	16,521
Banco de Investimento Imobiliário, S.A.	409	2,645	-	-	15,693	18,747
Banco Millennium Atlântico, S.A.	1,065	1	-	-	-	1,066
Banque BCP, S.A.S.	871	-	-	-	-	871
BCP Capital - Sociedade de Capital de Risco, S.A.	153	-	-	-	-	153
BCP Finance Bank Ltd	13,508	-	-	-	182	13,690
BCP Finance Company, Ltd	1,012	-	-	-	-	1,012
BIM - Banco Internacional de Moçambique, S.A.R.L.	218	7	-	-	-	225
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	54	-	54
Fundo de Investimento Imobiliário Imorenda	-	-	-	6,561	-	6,561
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	2,042	-	2,042
Group Bank Millennium (Poland)	6	48	-	-	22	76
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	2	-	-	-	-	2
Millennium bcp Bank & Trust	4,532	-	-	-	6	4,538
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	45,823	3	-	(21)	-	45,805
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	16,472	-	16,472
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	9	-	9
Planfipsa S.G.P.S., S.A. (Group)	-	-	1	-	-	1
SIBS, S.G.P.S., S.A.	2	-	-	-	-	2
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	1	-	-	-	-	1
UNICRE - Instituição Financeira de Crédito, S.A.	-	9	862	117	-	988
	67,708	19,129	863	25,285	15,903	128,888

As at 31 December 2017, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	477	14,262	(16)	(22)	-	14,701
Banco de Investimento Imobiliário, S.A.	569	2,808	(16)	57	41,955	45,373
Banco Millennium Atlântico, S.A.	396	3	-	-	-	399
Banque BCP, S.A.S.	1,476	-	-	-	-	1,476
BCP Capital - Sociedade de Capital de Risco, S.A.	186	-	-	(25)	-	161
BCP Finance Bank Ltd	13,415	-	-	-	320	13,735
BCP Finance Company, Ltd	1,243	-	-	-	-	1,243
BIM - Banco Internacional de Moçambique, S.A.R.L.	140	7	-	-	-	147
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fiparso- Sociedade Imobiliária Lda.	-	-	(1,389)	-	-	(1,389)
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	9	-	9
Fundo de Investimento Imobiliário Imorenda	3	-	-	6,806	-	6,809
Fundo de Investimento Imobiliário Imosotto Acumulação	3	-	-	2,019	-	2,022
Group Bank Millennium (Poland)	2	37	-	-	-	39
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	5	-	-	-	-	5
Irgossai - Urbanização e construção, S.A.	-	-	265	-	-	265
Millennium bcp Bank & Trust	2,144	-	-	-	240	2,384
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	50,200	4	-	(8)	-	50,196
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	13	20,278	-	20,291
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	238	-	-	-	-	238
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	-	13	-	13
Mundotêxtil - Indústrias Têxteis, S.A.	1	-	-	-	-	1
Servitrust - Trust Management Services S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	4	-	-	-	-	4
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	2	-	-	-	-	2
UNICRE - Instituição Financeira de Crédito, S.A.	-	5	-	20	-	25
	70,506	17,126	(1,143)	29,198	42,515	158,202

As at 31 December 2018, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco de Investimento Imobiliário, S.A.	86	-	-	-	86
Banco Millennium Atlântico, S.A.	7,200	-	13,611	-	20,811
Banque BCP, S.A.S.	-	-	-	4,906	4,906
Banque Privée BCP (Suisse) S.A.	-	200,300	-	9,965	210,265
BCP Finance Bank Ltd	108,850	-	-	-	108,850
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,492	-	-	-	1,492
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	684	6	-	-	690
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	-	695
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	350	350
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	250	-	-	250
Group Bank Millennium (Poland)	90	-	-	9,551	9,641
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	-	223
Mundotêxtil - Indústrias Têxteis, S.A.	638	1,094	400	-	2,132
SIBS, S.G.P.S., S.A.	12,388	-	-	-	12,388
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	8,743	-	-	8,743
	131,671	210,412	14,706	24,772	381,561

As at 31 December 2017, the Guarantees granted, Revocable and Irrevocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Total
Banco de Investimento Imobiliário, S.A.	79	61,244	-	61,323
Banco Millennium Atlântico, S.A.	7,200	-	-	7,200
Banque Privée BCP (Suisse) S.A.	-	200,000	-	200,000
BCP Finance Bank Ltd	108,850	-	-	108,850
BCP Finance Company, Ltd	59,910	-	-	59,910
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	66	-	66
BIM - Banco Internacional de Moçambique, S.A.R.L.	991	-	-	991
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	127	-	127
Fiparso- Sociedade Imobiliária Lda.	-	14	-	14
Fundo de Investimento Imobiliário Imorenda	-	-	1,513	1,513
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	695
Group Bank Millennium (Poland)	355	-	-	355
Irgossai - Urbanização e construção, S.A.	-	136	-	136
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	223
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	441	-	441
Mundotêxtil - Indústrias Têxteis, S.A.	789	241	-	1,030
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	107	-	107
Setelote-Aldeamentos Turísticos, S.A.	-	35	-	35
SIBS, S.G.P.S., S.A.	50	-	-	50
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	602	-	602
	178,467	263,032	2,208	443,707

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2018	2017
Life insurance		
Saving products	33,677	32,885
Mortgage and consumer loans	19,039	18,628
Others	24	31
	52,740	51,544
Non - Life insurance		
Accidents and health	17,132	15,882
Motor	3,676	3,391
Multi-Risk Housing	6,409	5,968
Others	1,186	1,027
	28,403	26,268
	81,143	77,812

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 Ocidental - Sociedade Gestora de Fundos de Pensoes, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, S.A. The Bank 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 Bank, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2018	2017
Funds receivable for payment of life insurance commissions	14,497	12,686
Funds receivable for payment of non-life insurance commissions	7,230	6,607
	21,727	19,293

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 items of the balance sheet are as follows:

(Thousands of euros)

	2018	2017
Assets		
Financial assets held for trading	58	-
Liabilities		
Resources from customers	279,851	323,795
Subordinated debt	14,340	40
	294,191	323,835

During 2018 and 2017, there were no transactions of financial assets between the Bank and the Pension Fund.

During 2018 and 2017, the balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2018	2017
Income		
Commissions	564	821
Expenses		
Interest expense and similar charges	89	26
Other administrative costs	513	887
	602	913

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Bank.

As at 31 December 2018, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2017: Euros 5,000).

48. Solvency

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

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

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings and non-controlling interests excluding predictable dividends; 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 stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

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

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

The Bank 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 and its corporate portfolio. The Millenniumbcp has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and the standard method was used for the purposes of operating risk coverage.

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

(Thousands of euros)

	2018 (*)	2017
Common equity tier 1 (CET1)		
Share capital	4,725,000	5,600,738
Share Premium	16,471	16,471
Reserves and retained earnings	816,664	309,136
Regulatory adjustments to CET1	(958,304)	(959,028)
	4,599,831	4,967,317
Tier 1		
Capital Instruments	1,169	1,461
Regulatory adjustments	-	(1,461)
	4,601,000	4,967,317
Tier 2		
Subordinated debt	462,696	584,186
Others	(31,498)	(115,769)
	431,198	468,417
Total own funds	5,032,198	5,435,734
RWA - Risk weighted assets		
Credit risk	29,874,167	29,533,569
Market risk	1,166,542	981,291
Operational risk	2,207,019	2,248,553
CVA	169,095	177,715
	33,416,823	32,941,128
Capital ratios		
CET1	13.8%	15.1%
Tier 1	13.8%	15.1%
Tier 2	1.3%	1.4%
Total	15.1%	16.5%

(*) The 2018 amounts include the accumulated net income.

49. Risk management

The Bank is subject to several risks during the course of its business.

The Bank'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 Bank'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 risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

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 at the very 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 Bank level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Bank, 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 Bank 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 Bank 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 Bank's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2018	2017
Central Governments or Central Banks	6,545,332	5,047,298
Regional Governments or Local Authorities	726,228	655,673
Administrative and non-profit Organisations	105	169,848
Other Credit Institutions	3,973,609	3,898,664
Retail and Corporate customers	43,376,213	43,570,050
Other items (*)	12,291,640	16,290,455
	66,913,127	69,631,988

Note: gross exposures of impairment and amortization. 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 expected, 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 recognised 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 wit 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 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 (lan 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 31 December 2018 and 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 / 2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2018, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	31 December 2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,035,254	10,657	669	-	2,046,580
Loans and advances to customers (note 19)	22,915,268	5,758,902	4,607,650	4	33,281,824
Debt instruments (note 20)	2,345,182	264,307	72,007	-	2,681,496
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	6,900,301	-	3,722	-	6,904,023
Financial guarantees (note 41)	7,953,682	1,347,531	567,339	-	9,868,552
Total	42,149,687	7,381,397	5,251,387	4	54,782,475

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 41.

(Thousands of euros)

	31 December 2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	407	774	669	-	1,850
Loans and advances to customers (note 19)	25,460	125,218	2,142,808	-	2,293,486
Debt instruments (note 20)	3,039	507	36,659	-	40,205
Financial guarantees (note 41)	1,209	3,883	158,271	-	163,363
Total	30,115	130,382	2,338,407	-	2,498,904

(Thousands of euros)

	31 December 2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,034,847	9,883	-	-	2,044,730
Loans and advances to customers (note 19)	22,889,808	5,633,684	2,464,842	4	30,988,338
Debt instruments (note 20)	2,342,143	263,800	35,348	-	2,641,291
Financial guarantees (note 41)	7,952,473	1,343,648	409,068	-	9,705,189
Total	35,219,271	7,251,015	2,909,258	4	45,379,548

As at 1 January 2018, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	1 January 2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 52)	1,251,734	2,738	-	-	1,254,472
Loans and advances to customers (note 52)	22,641,798	5,404,518	6,045,353	-	34,091,669
Debt instruments (note 52)	2,014,897	382,540	84,023	-	2,481,460
Debt instruments at fair value					
through other comprehensive income (*)	3,310,726	1,334,760	3,722	-	4,649,208
Financial guarantees	8,000,524	1,229,159	596,817	-	9,826,500
Total	37,219,679	8,353,715	6,729,915	-	52,303,309

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

(Thousands of euros)

	1 January 2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 52)	441	262	-	-	703
Loans and advances to customers (note 52)	30,329	114,014	2,751,818	-	2,896,161
Debt instruments (note 52)	7,202	2,544	37,924	-	47,670
Financial guarantees (note 36)	1,794	6,112	116,154	-	124,060
Total	39,766	122,932	2,905,896	-	3,068,594

(Thousands of euros)

	1 January 2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 52)	1,251,293	2,476	-	-	1,253,769
Loans and advances to customers (note 52)	22,611,469	5,290,504	3,293,535	-	31,195,508
Debt instruments (note 52)	2,007,695	379,996	46,099	-	2,433,790
Financial guarantees	7,998,730	1,223,047	480,663	-	9,702,440
Total	33,869,187	6,896,023	3,820,297	-	44,585,507

As at 31 December 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 (note 21)	
Debt instruments	57,942
Derivatives	680,157
Hedging derivatives (note 23)	147,449
Financial assets designated at fair value through profit or loss (note 21)	
Debt instruments	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss (note 21)	
Debt instruments	39,246
Total	957,828

Notes:

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2018, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January 2018	30,329	114,014	2,751,818	-	2,896,161
Change in impairment losses:					
Transfer to Stage 1	12,376	(10,532)	(1,844)	-	-
Transfer to Stage 2	(3,803)	42,550	(38,747)	-	-
Transfer to Stage 3	(668)	(7,366)	8,034	-	-
Changes occurred due to changes in credit risk	(20,462)	(18,171)	297,775	-	259,142
Write-offs	(364)	(1,918)	(536,229)	-	(538,511)
Changes due to new financial assets and derecognised financial assets and other variations	8,052	6,641	(337,999)	-	(323,306)
Impairment losses as at 31 December 2018	25,460	125,218	2,142,808	-	2,293,486

During 2018, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January 2018	22,641,799	5,404,518	6,045,353	-	34,091,670
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,382,216)	1,382,216	-	-	-
Transfer from Stage 1 to Stage 3	(70,216)	-	70,216	-	-
Transfer from Stage 2 to Stage 1	937,473	(937,473)	-	-	-
Transfer from Stage 2 to Stage 3	-	(281,617)	281,617	-	-
Transfer from Stage 3 to Stage 1	26,654	-	(26,654)	-	-
Transfer from Stage 3 to Stage 2	-	295,637	(295,637)	-	-
Write-offs	(364)	(1,918)	(536,229)	-	(538,511)
Net balance of new financial assets and derecognised financial assets and other changes	762,138	(102,461)	(931,016)	4	(271,335)
Gross amount as at 31 December 2018	22,915,268	5,758,902	4,607,650	4	33,281,824

As at 31 December 2018, the modified financial assets that do not result in derecognition are analysed as follows:

(Thousands of euros)

Financial assets modified during the year (with impairment losses based on expected lifetime losses)	**2018**
Amortised cost before changes	531,426
Impairment losses before changes	(167,591)
Net amortised cost before changes	363,835
Net gain / loss	(12,847)
Net amortised cost after changes	350,988

(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	**2018**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	43,170

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	31 December 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	12,653,990	2,207,678	102,414	21,965	2,332,057	345,863	436,981	782,844	-	15,768,891
Individuals-Other	3,000,000	517,213	33,084	9,036	559,333	123,448	179,223	302,671	4	3,862,008
Financial Companies	3,809,710	339,220	-	-	339,220	283,266	364,107	647,373	-	4,796,303
Non-financial comp. - Corporate	5,332,214	1,127,867	3,001	-	1,130,868	546,595	561,170	1,107,765	-	7,570,847
Non-financial comp.- SME-Corporate	6,221,020	1,754,475	23,453	2,162	1,780,090	1,037,058	525,546	1,562,604	-	9,563,714
Non-financial comp. -SME-Retail	2,878,645	1,077,395	62,091	4,137	1,143,623	499,262	309,197	808,459	-	4,830,727
Non-financial comp.-Other	354,587	45,326	233	9	45,568	31,572	4,376	35,948	-	436,103
Other loans	999,220	50,638	-	-	50,638	-	1	1	-	1,049,859
Total	35,249,386	7,119,812	224,276	37,309	7,381,397	2,867,064	2,380,601	5,247,665	4	47,878,452
Impairment										
Individuals-Mortgage	823	6,632	532	192	7,356	8,836	65,690	74,526	-	82,705
Individuals-Other	2,939	8,154	1,391	471	10,016	48,457	94,931	143,388	-	156,343
Financial Companies	2,242	7,317	-	-	7,317	187,600	276,782	464,382	-	473,941
Non-financial comp. - Corporate	7,312	30,859	35	-	30,894	312,545	336,605	649,150	-	687,356
Non-financial comp.- SME-Corporate	11,165	43,894	1,678	501	46,073	331,828	316,367	648,195	-	705,433
Non-financial comp. -SME-Retail	5,043	24,297	1,671	184	26,152	205,835	133,305	339,140	-	370,335
Non-financial comp.-Other	294	1,419	8	2	1,429	17,251	2,375	19,626	-	21,349
Other loans	297	1,145	-	-	1,145	-	-	-	-	1,442
Total	30,115	123,717	5,315	1,350	130,382	1,112,352	1,226,055	2,338,407	-	2,498,904
Net exposure										
Individuals-Mortgage	12,653,167	2,201,046	101,882	21,773	2,324,701	337,027	371,291	708,318	-	15,686,186
Individuals-Other	2,997,061	509,059	31,693	8,565	549,317	74,991	84,292	159,283	4	3,705,665
Financial Companies	3,807,468	331,903	-	-	331,903	95,666	87,325	182,991	-	4,322,362
Non-financial comp. - Corporate	5,324,902	1,097,008	2,966	-	1,099,974	234,050	224,565	458,615	-	6,883,491
Non-financial comp.- SME-Corporate	6,209,855	1,710,581	21,775	1,661	1,734,017	705,230	209,179	914,409	-	8,858,281
Non-financial comp. -SME-Retail	2,873,602	1,053,098	60,420	3,953	1,117,471	293,427	175,892	469,319	-	4,460,392
Non-financial comp.-Other	354,293	43,907	225	7	44,139	14,321	2,001	16,322	-	414,754
Other loans	998,923	49,493	-	-	49,493	-	1	1	-	1,048,417
Total	35,219,271	6,996,095	218,961	35,959	7,251,015	1,754,712	1,154,546	2,909,258	4	45,379,548
% of impairment coverage										
Individuals-Mortgage	0.01%	0.30%	0.52%	0.87%	0.32%	2.55%	15.03%	9.52%	0.00%	0.52%
Individuals-Other	0.10%	1.58%	4.20%	5.21%	1.79%	39.25%	52.97%	47.37%	0.00%	4.05%
Financial Companies	0.06%	2.16%	0.00%	0.00%	2.16%	66.23%	76.02%	71.73%	0.00%	9.88%
Non-financial comp. - Corporate	0.14%	2.74%	1.17%	0.00%	2.73%	57.18%	59.98%	58.60%	0.00%	9.08%
Non-financial comp.- SME-Corporate	0.18%	2.50%	7.15%	23.17%	2.59%	32.00%	60.20%	41.48%	0.00%	7.38%
Non-financial comp. -SME-Retail	0.18%	2.26%	2.69%	4.45%	2.29%	41.23%	43.11%	41.95%	0.00%	7.67%
Non-financial comp.-Other	0.08%	3.13%	3.43%	22.22%	3.14%	54.64%	54.27%	54.60%	0.00%	4.90%
Other loans	0.03%	2.26%	0.00%	0.00%	2.26%	0.00%	0.00%	0.00%	0.00%	0.14%
Total	0.09%	1.74%	2.37%	3.62%	1.77%	38.80%	51.50%	44.56%	0.00%	5.22%

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	31 December 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	15,653,991	2,724,891	135,498	31,002	2,891,391	469,311	616,204	1,085,515	4	19,630,901
Non-financial comp.- Trade	2,786,536	442,003	13,798	1,281	457,082	205,138	123,002	328,140	-	3,571,758
Non-financial comp.- Construction	1,188,756	495,756	7,403	1,735	504,894	650,915	401,028	1,051,943	-	2,745,593
Non-finan. comp.- Manufacturing ind.	3,045,313	716,165	16,080	1,133	733,378	125,823	117,449	243,272	-	4,021,963
Non-financial comp.-Other activities	1,170,779	315,876	2,206	370	318,452	208,942	15,486	224,428	-	1,713,659
Non-financial comp.- Other services	6,595,081	2,035,263	49,291	1,788	2,086,342	923,669	743,324	1,666,993	-	10,348,416
Other Services /Other activities	4,808,930	389,858	-	-	389,858	283,266	364,108	647,374	-	5,846,162
Total	35,249,386	7,119,812	224,276	37,309	7,381,397	2,867,064	2,380,601	5,247,665	4	47,878,452
Impairment										
Loans to individuals	3,761	14,785	1,923	663	17,371	57,293	160,621	217,914	-	239,046
Non-financial comp.- Trade	4,538	11,300	652	40	11,992	81,016	75,492	156,508	-	173,038
Non-financial comp.- Construction	2,330	4,924	1,044	432	6,400	249,181	224,058	473,239	-	481,969
Non-finan. comp.- Manufacturing ind.	5,291	12,703	992	94	13,789	45,527	66,452	111,979	-	131,059
Non-financial comp.-Other activities	1,236	9,826	67	42	9,935	87,916	6,456	94,372	-	105,543
Non-financial comp.- Other services	10,421	61,717	636	79	62,432	403,821	416,191	820,012	-	892,865
Other Services /Other activities	2,538	8,463	-	-	8,463	187,600	276,783	464,383	-	475,384
Total	30,115	123,718	5,314	1,350	130,382	1,112,354	1,226,053	2,338,407	-	2,498,904
Net exposure										
Loans to individuals	15,650,230	2,710,106	133,575	30,339	2,874,020	412,018	455,583	867,601	4	19,391,855
Non-financial comp.- Trade	2,781,998	430,703	13,146	1,241	445,090	124,122	47,510	171,632	-	3,398,720
Non-financial comp.- Construction	1,186,426	490,832	6,359	1,303	498,494	401,734	176,970	578,704	-	2,263,624
Non-finan. comp.- Manufacturing ind.	3,040,022	703,462	15,088	1,039	719,589	80,296	50,997	131,293	-	3,890,904
Non-financial comp.-Other activities	1,169,543	306,050	2,139	328	308,517	121,026	9,030	130,056	-	1,608,116
Non-financial comp.- Other services	6,584,660	1,973,546	48,655	1,709	2,023,910	519,848	327,133	846,981	-	9,455,551
Other Services /Other activities	4,806,392	381,395	-	-	381,395	95,666	87,325	182,991	-	5,370,778
Total	35,219,271	6,996,094	218,962	35,959	7,251,015	1,754,710	1,154,548	2,909,258	4	45,379,548
% of impairment coverage										
Loans to individuals	0.02%	0.54%	1.42%	2.14%	0.60%	12.21%	26.07%	20.07%	0.00%	1.22%
Non-financial comp.- Trade	0.16%	2.56%	4.73%	3.12%	2.62%	39.49%	61.37%	47.70%	0.00%	4.84%
Non-financial comp.- Construction	0.20%	0.99%	14.10%	24.90%	1.27%	38.28%	55.87%	44.99%	0.00%	17.55%
Non-finan. comp.- Manufacturing ind.	0.17%	1.77%	6.17%	8.30%	1.88%	36.18%	56.58%	46.03%	0.00%	3.26%
Non-financial comp.-Other activities	0.11%	3.11%	3.04%	11.35%	3.12%	42.08%	41.69%	42.05%	0.00%	6.16%
Non-financial comp.- Other services	0.16%	3.03%	1.29%	4.42%	2.99%	43.72%	55.99%	49.19%	0.00%	8.63%
Other Services /Other activities	0.05%	2.17%	0.00%	0.00%	2.17%	66.23%	76.02%	71.73%	0.00%	8.13%
Total	0.09%	1.74%	2.37%	3.62%	1.77%	38.80%	51.50%	44.56%	0.00%	5.22%

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	POCI	Total
Gross Exposure										
Individuals-Mortgage	12,056,121	2,192,393	128,124	37,867	2,358,384	340,722	755,326	1,096,048	-	15,510,553
Individuals-Other	2,782,896	495,074	18,990	15,585	529,649	138,645	284,559	423,204	-	3,735,749
Financial Companies	1,795,513	285,213	349	51	285,613	596,071	282,939	879,010	-	2,960,136
Non-financial comp. - Corporate	4,693,911	1,125,564	335	-	1,125,899	430,969	747,590	1,178,559	-	6,998,369
Non-financial comp.- SME-Corporate	6,609,255	1,570,840	11,516	1,948	1,584,304	1,240,394	1,005,022	2,245,416	-	10,438,975
Non-financial comp. -SME-Retail	2,618,635	921,967	22,210	12,799	956,976	445,194	458,662	903,856	-	4,479,467
Non-financial comp.-Other	153,662	36,753	-	-	36,753	100	-	100	-	190,515
Other loans	3,198,960	141,377	-	-	141,377	-	-	-	-	3,340,337
Total	33,908,953	6,769,181	181,524	68,250	7,018,955	3,192,095	3,534,098	6,726,193	-	47,654,101
Impairment										
Individuals-Mortgage	929	8,769	691	321	9,781	12,356	123,624	135,980	-	146,690
Individuals-Other	3,034	8,597	673	951	10,221	63,974	161,639	225,613	-	238,868
Financial Companies	4,149	7,880	17	1	7,898	388,223	204,182	592,405	-	604,452
Non-financial comp. - Corporate	8,418	25,529	5	-	25,534	124,659	415,374	540,033	-	573,985
Non-financial comp.- SME-Corporate	14,389	41,814	757	329	42,900	412,283	608,980	1,021,263	-	1,078,552
Non-financial comp. -SME-Retail	6,932	23,703	592	703	24,998	196,597	194,002	390,599	-	422,529
Non-financial comp.-Other	37	-	-	-	-	3	-	3	-	40
Other loans	1,878	1,600	-	-	1,600	-	-	-	-	3,478
Total	39,766	117,892	2,735	2,305	122,932	1,198,095	1,707,801	2,905,896	-	3,068,594
Net exposure										
Individuals-Mortgage	12,055,192	2,183,624	127,433	37,546	2,348,603	328,366	631,702	960,068	-	15,363,863
Individuals-Other	2,779,862	486,477	18,317	14,634	519,428	74,671	122,920	197,591	-	3,496,881
Financial Companies	1,791,364	277,333	332	50	277,715	207,848	78,757	286,605	-	2,355,684
Non-financial comp. - Corporate	4,685,493	1,100,035	330	-	1,100,365	306,310	332,216	638,526	-	6,424,384
Non-financial comp.- SME-Corporate	6,594,866	1,529,026	10,759	1,619	1,541,404	828,111	396,042	1,224,153	-	9,360,423
Non-financial comp. -SME-Retail	2,611,703	898,264	21,618	12,096	931,978	248,597	264,660	513,257	-	4,056,938
Non-financial comp.-Other	153,625	36,753	-	-	36,753	97	-	97	-	190,475
Other loans	3,197,082	139,777	-	-	139,777	-	-	-	-	3,336,859
Total	33,869,187	6,651,289	178,789	65,945	6,896,023	1,994,000	1,826,297	3,820,297	-	44,585,507
% of impairment coverage										
Individuals-Mortgage	0.01%	0.40%	0.54%	0.85%	0.41%	3.63%	16.37%	12.41%	0.00%	0.95%
Individuals-Other	0.11%	1.74%	3.54%	6.10%	1.93%	46.14%	56.80%	53.31%	0.00%	6.39%
Financial Companies	0.23%	2.76%	4.87%	1.96%	2.77%	65.13%	72.16%	67.39%	0.00%	20.42%
Non-financial comp. - Corporate	0.18%	2.27%	1.49%	0.00%	2.27%	28.93%	55.56%	45.82%	0.00%	8.20%
Non-financial comp.- SME-Corporate	0.22%	2.66%	6.57%	16.89%	2.71%	33.24%	60.59%	45.48%	0.00%	10.33%
Non-financial comp. -SME-Retail	0.26%	2.57%	2.67%	5.49%	2.61%	44.16%	42.30%	43.21%	0.00%	9.43%
Non-financial comp.-Other	0.02%	0.00%	0.00%	0.00%	0.00%	3.00%	0.00%	3.00%	0.00%	0.02%
Other loans	0.06%	1.13%	0.00%	0.00%	1.13%	0.00%	0.00%	0.00%	0.00%	0.10%
Total	0.12%	1.74%	1.51%	3.38%	1.75%	37.53%	48.32%	43.20%	0.00%	6.44%

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	POCI	Total
Gross Exposure										
Loans to individuals	14,838,861	2,687,466	147,114	53,452	2,888,032	479,367	1,039,885	1,519,252	-	19,246,145
Non-financial comp.- Trade	2,849,872	403,613	6,586	3,563	413,762	107,473	174,347	281,820	-	3,545,454
Non-financial comp.- Construction	838,547	836,136	1,527	2,940	840,603	717,945	575,067	1,293,012	-	2,972,162
Non finan. comp.- Manufacturing indust	3,173,596	372,745	9,602	2,310	384,657	146,555	145,455	292,010	-	3,850,263
Non-financial comp.-Other activities	1,248,609	230,113	554	533	231,200	213,969	35,419	249,388	-	1,729,197
Non-financial comp.- Other services	5,964,839	1,812,518	15,792	5,401	1,833,711	930,714	1,280,987	2,211,701	-	10,010,251
Other Services /Other activities	4,994,629	426,590	349	51	426,990	596,071	282,939	879,010	-	6,300,629
Total	33,908,953	6,769,181	181,524	68,250	7,018,955	3,192,094	3,534,099	6,726,193	-	47,654,101
Impairment										
Loans to individuals	3,963	17,365	1,365	1,272	20,002	76,330	285,264	361,594	-	385,559
Non-financial comp.- Trade	6,814	7,341	190	190	7,721	33,453	101,472	134,925	-	149,460
Non-financial comp.- Construction	2,670	17,610	43	386	18,039	223,271	336,385	559,656	-	580,365
Non-financial comp.- Manufacturing inc	7,091	10,272	615	207	11,094	51,586	85,092	136,678	-	154,863
Non-financial comp.-Other activities	1,430	9,409	11	9	9,429	99,807	14,597	114,404	-	125,263
Non-financial comp.- Other services	11,770	46,415	495	240	47,150	325,426	680,808	1,006,234	-	1,065,154
Other Services /Other activities	6,028	9,479	17	1	9,497	388,223	204,182	592,405	-	607,930
Total	39,766	117,891	2,736	2,305	122,932	1,198,096	1,707,800	2,905,896	-	3,068,594
Net exposure										
Loans to individuals	14,834,898	2,670,101	145,749	52,180	2,868,030	403,037	754,621	1,157,658	-	18,860,586
Non-financial comp.- Trade	2,843,058	396,272	6,396	3,373	406,041	74,020	72,875	146,895	-	3,395,994
Non-financial comp.- Construction	835,877	818,526	1,484	2,554	822,564	494,674	238,682	733,356	-	2,391,797
Non finan. comp.- Manufacturing indust	3,166,505	362,473	8,987	2,103	373,563	94,969	60,363	155,332	-	3,695,400
Non-financial comp.-Other activities	1,247,179	220,704	543	524	221,771	114,162	20,822	134,984	-	1,603,934
Non-financial comp.- Other services	5,953,069	1,766,103	15,297	5,161	1,786,561	605,288	600,179	1,205,467	-	8,945,097
Other Services /Other activities	4,988,601	417,111	332	50	417,493	207,848	78,757	286,605	-	5,692,699
Total	33,869,187	6,651,290	178,788	65,945	6,896,023	1,993,998	1,826,299	3,820,297	-	44,585,507
% of impairment coverage										
Loans to individuals	0.03%	0.65%	0.93%	2.38%	0.69%	15.92%	27.43%	23.80%	0.00%	2.00%
Non-financial comp.- Trade	0.24%	1.82%	2.88%	5.33%	1.87%	31.13%	58.20%	47.88%	0.00%	4.22%
Non-financial comp.- Construction	0.32%	2.11%	2.82%	13.13%	2.15%	31.10%	58.49%	43.28%	0.00%	19.53%
Non finan. comp.- Manufacturing indust	0.22%	2.76%	6.40%	8.96%	2.88%	35.20%	58.50%	46.81%	0.00%	4.02%
Non-financial comp.-Other activities	0.11%	4.09%	1.99%	1.69%	4.08%	46.65%	41.21%	45.87%	0.00%	7.24%
Non-financial comp.- Other services	0.20%	2.56%	3.13%	4.44%	2.57%	34.97%	53.15%	45.50%	0.00%	10.64%
Other Services /Other activities	0.12%	2.22%	4.87%	1.96%	2.22%	65.13%	72.16%	67.39%	0.00%	9.65%
Total	0.12%	1.74%	1.51%	3.38%	1.75%	37.53%	48.32%	43.20%	0.00%	6.44%

As at 31 December 2018, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	31 December 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	19,042,210	6,186,746	2,028,356	-	38,392	27,295,704	28,906	27,266,798
- stage 2	1,063,658	1,362,969	2,648,657	282,774	675,808	6,033,866	126,499	5,907,367
- stage 3	2,418	10,106	89,009	4,507,587	71,206	4,680,326	2,180,136	2,500,190
POCI	-	-	-	-	4	4	-	4
	20,108,286	7,559,821	4,766,022	4,790,361	785,410	38,009,900	2,335,541	35,674,359
Debt instruments at fair value through other comprehensive income								
- stage 1	6,810,518	83,940	-	-	5,843	6,900,301	-	6,900,301
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	3,722	3,722	3,722	-
	6,810,518	83,940	-	-	9,565	6,904,023	3,722	6,900,301
Guarantees and other commitments								
- stage 1	5,325,858	1,906,677	568,012	-	153,135	7,953,682	1,209	7,952,473
- stage 2	161,389	265,287	580,507	47,460	292,888	1,347,531	3,883	1,343,648
- stage 3	60	5	25,144	538,513	3,617	567,339	158,271	409,068
	5,487,307	2,171,969	1,173,663	585,973	449,640	9,868,552	163,363	9,705,189
Total	32,406,111	9,815,730	5,939,685	5,376,334	1,244,615	54,782,475	2,502,626	52,279,849

As at 1 January 2018, the exposure by type of financial instrument, internal rating 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	16,896,509	5,930,607	2,203,646	661	877,006	25,908,429	37,972	25,870,457
- stage 2	863,843	989,883	3,115,635	202,735	617,700	5,789,796	116,820	5,672,976
- stage 3	-	-	37,913	6,018,926	72,537	6,129,376	2,789,742	3,339,634
	17,760,352	6,920,490	5,357,194	6,222,322	1,567,243	37,827,601	2,944,534	34,883,067
Debt instruments at fair value through other comprehensive income								
- stage 1	3,022,262	287,519	-	-	945	3,310,726	-	3,310,726
- stage 2	1,316,998	17,712	-	-	50	1,334,760	-	1,334,760
- stage 3	-	-	-	-	3,722	3,722	3,722	-
	4,339,260	305,231	-	-	4,717	4,649,208	3,722	4,645,486
Guarantees and other commitments								
- stage 1	5,159,923	1,637,963	575,856	-	626,782	8,000,524	1,794	7,998,730
- stage 2	56,800	191,994	596,890	17,892	365,583	1,229,159	6,112	1,223,047
- stage 3	-	-	12,383	581,768	2,666	596,817	116,154	480,663
	5,216,723	1,829,957	1,185,129	599,660	995,031	9,826,500	124,060	9,702,440
Total	27,316,335	9,055,678	6,542,323	6,821,982	2,566,991	52,303,309	3,072,316	49,230,993

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following tables:

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	9,448	15,759,443	15,768,891	3,990	78,715	82,705
Individuals-Other	113,632	3,748,376	3,862,008	48,602	107,741	156,343
Financial Companies	631,404	4,164,899	4,796,303	461,754	12,187	473,941
Non-financial comp. - Corporate	1,102,804	6,468,043	7,570,847	646,018	41,338	687,356
Non-financial comp.- SME-Corporate	1,224,691	8,339,023	9,563,714	547,507	157,926	705,433
Non-financial comp. -SME-Retail	607,693	4,223,034	4,830,727	282,722	87,613	370,335
Non-financial comp.-Other	31,108	404,995	436,103	17,410	3,939	21,349
Other loans	-	1,049,859	1,049,859	-	1,442	1,442
Total	3,720,780	44,157,672	47,878,452	2,008,003	490,901	2,498,904

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity, are presented in the following tables:

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	123,080	19,507,821	19,630,901	52,591	186,455	239,046
Non-financial comp.- Trade	219,612	3,352,146	3,571,758	120,705	52,333	173,038
Non-financial comp.- Construction	888,381	1,857,212	2,745,593	423,706	58,263	481,969
Non finan. comp.- Manufacturing indust.	137,176	3,884,787	4,021,963	80,746	50,313	131,059
Non-financial comp.-Other activities	196,050	1,517,609	1,713,659	87,637	17,906	105,543
Non-financial comp.- Other services	1,525,077	8,823,339	10,348,416	780,863	112,002	892,865
Other Services /Other activities	631,404	5,214,758	5,846,162	461,755	13,629	475,384
Total	3,720,780	44,157,672	47,878,452	2,008,003	490,901	2,498,904

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, 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	13,394	15,497,159	15,510,553	6,380	140,310	146,690
Individuals-Other	145,043	3,590,706	3,735,749	60,443	178,425	238,868
Financial Companies	871,660	2,088,476	2,960,136	590,786	13,666	604,452
Non-financial comp. - Corporate	1,178,785	5,819,584	6,998,369	538,330	35,655	573,985
Non-financial comp.- SME-Corporate	1,877,270	8,561,705	10,438,975	872,312	206,240	1,078,552
Non-financial comp. -SME-Retail	634,721	3,844,746	4,479,467	294,239	128,290	422,529
Non-financial comp.-Other	-	190,515	190,515	-	40	40
Other loans	-	3,340,337	3,340,337	-	3,478	3,478
Total	4,720,873	42,933,228	47,654,101	2,362,490	706,104	3,068,594

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity, are presented in the following tables:

(Thousands of euros)

	1 January 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	158,437	19,087,708	19,246,145	66,823	318,736	385,559
Non-financial comp.- Trade	132,963	3,412,491	3,545,454	67,803	81,657	149,460
Non-financial comp.- Construction	1,106,947	1,865,215	2,972,162	489,961	90,404	580,365
Non finan. comp.- Manufacturing indust.	175,976	3,674,287	3,850,263	93,552	61,311	154,863
Non-financial comp.-Other activities	215,345	1,513,852	1,729,197	103,145	22,118	125,263
Non-financial comp.- Other services	2,059,546	7,950,705	10,010,251	950,420	114,734	1,065,154
Other Services /Other activities	871,659	5,428,970	6,300,629	590,786	17,144	607,930
Total	4,720,873	42,933,228	47,654,101	2,362,490	706,104	3,068,594

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 31 December 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):

	2018					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2008 and previous						
Number of operations	16,261	23,065	205,011	376,119	64	620,520
Value (Euros '000)	910,473	2,983,089	8,375,302	743,696	3,309	13,015,869
Impairment constituted (Euros '000)	137,122	130,579	51,610	16,131	8	335,450
2009						
Number of operations	1,871	2,278	15,806	40,883	22	60,860
Value (Euros '000)	227,396	402,067	824,669	65,916	358	1,520,406
Impairment constituted (Euros '000)	21,269	10,474	5,990	2,280	-	40,013
2010						
Number of operations	1,676	2,202	13,914	57,368	17	75,177
Value (Euros '000)	174,679	391,149	797,419	122,451	45	1,485,743
Impairment constituted (Euros '000)	18,688	11,804	2,926	1,264	-	34,682
2011						
Number of operations	1,526	2,256	5,289	55,764	2	64,837
Value (Euros '000)	77,433	287,209	294,521	107,004	20	766,187
Impairment constituted (Euros '000)	7,866	9,267	538	1,442	-	19,113
2012						
Number of operations	1,356	2,033	3,082	65,901	195	72,567
Value (Euros '000)	95,714	366,904	140,978	93,178	6,212	702,986
Impairment constituted (Euros '000)	8,349	84,072	550	756	3	93,730
2013						
Number of operations	2,196	3,652	6,296	99,922	24	112,090
Value (Euros '000)	88,567	643,343	296,108	149,934	2,068	1,180,020
Impairment constituted (Euros '000)	13,797	39,175	706	1,480	1	55,159
2014						
Number of operations	2,324	6,409	4,316	108,079	69	121,197
Value (Euros '000)	123,218	709,248	254,074	183,594	185,964	1,456,098
Impairment constituted (Euros '000)	7,328	27,811	195	1,833	50	37,217
2015						
Number of operations	3,726	10,966	6,572	142,542	98	163,904
Value (Euros '000)	218,918	1,235,253	447,412	265,900	33,083	2,200,566
Impairment constituted (Euros '000)	29,679	131,099	332	3,960	12	165,082
2016						
Number of operations	3,921	12,744	8,920	138,183	42	163,810
Value (Euros '000)	319,901	1,892,727	656,189	376,904	85,417	3,331,138
Impairment constituted (Euros '000)	27,263	103,342	236	6,533	15	137,389
2017						
Number of operations	4,451	15,703	13,966	138,674	103	172,897
Value (Euros '000)	580,798	2,190,466	1,215,453	468,864	99,619	4,555,200
Impairment constituted (Euros '000)	42,531	79,119	656	5,615	20	127,941
2018						
Number of operations	11,154	41,914	19,300	260,955	226	333,549
Value (Euros '000)	1,650,758	6,410,985	1,929,193	1,014,050	441,912	11,446,898
Impairment constituted (Euros '000)	15,758	122,471	796	9,424	92	148,541
Total						
Number of operations	50,462	123,222	302,472	1,484,390	862	1,961,408
Value (Euros '000)	4,467,855	17,512,440	15,231,318	3,591,491	858,007	41,661,111
Impairment constituted (Euros '000)	329,650	749,213	64,535	50,718	201	1,194,317

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):

	2017					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2007 and previous						
Number of operations	12,667	21,797	190,281	314,867	175	539,787
Value (Euros '000)	924,493	2,792,541	7,851,793	336,299	199,332	12,104,458
Impairment constituted (Euros '000)	133,891	102,763	73,315	30,755	82,095	422,819
2008						
Number of operations	2,095	3,026	29,488	31,986	45	66,640
Value (Euros '000)	420,206	589,116	1,513,361	49,320	61,819	2,633,822
Impairment constituted (Euros '000)	53,194	34,056	14,359	5,709	9,574	116,892
2009						
Number of operations	2,120	2,636	16,957	31,782	22	53,517
Value (Euros '000)	283,986	420,148	926,065	37,689	45,699	1,713,587
Impairment constituted (Euros '000)	22,669	10,574	11,753	4,079	91	49,166
2010						
Number of operations	1,791	2,505	14,911	33,961	28	53,196
Value (Euros '000)	304,153	327,042	888,730	32,992	48,026	1,600,943
Impairment constituted (Euros '000)	22,910	18,305	4,308	2,923	10,834	59,280
2011						
Number of operations	1,571	2,368	5,707	31,565	39	41,250
Value (Euros '000)	224,621	344,538	327,390	45,008	84,039	1,025,596
Impairment constituted (Euros '000)	16,055	10,711	855	3,628	4,552	35,801
2012						
Number of operations	1,327	2,595	3,326	31,305	30	38,583
Value (Euros '000)	108,460	486,366	158,579	29,181	3,459	786,045
Impairment constituted (Euros '000)	8,966	61,600	729	1,393	1,080	73,768
2013						
Number of operations	2,045	4,359	6,880	51,878	51	65,213
Value (Euros '000)	122,383	623,510	338,535	92,484	338,876	1,515,788
Impairment constituted (Euros '000)	12,695	19,437	746	2,848	24,121	59,847
2014						
Number of operations	2,372	8,773	4,675	64,325	68	80,213
Value (Euros '000)	127,244	1,086,425	287,695	137,251	193,899	1,832,514
Impairment constituted (Euros '000)	4,434	38,526	166	2,846	315	46,287
2015						
Number of operations	3,267	11,973	7,091	81,768	90	104,189
Value (Euros '000)	268,771	1,801,682	499,895	254,603	225,442	3,050,393
Impairment constituted (Euros '000)	27,257	93,197	253	4,416	99,327	224,450
2016						
Number of operations	3,525	13,513	9,520	99,562	110	126,230
Value (Euros '000)	418,257	1,939,660	735,306	391,193	142,025	3,626,441
Impairment constituted (Euros '000)	18,053	52,732	104	3,906	224	75,019
2017						
Number of operations	6,264	31,494	14,324	102,203	142	154,427
Value (Euros '000)	852,786	3,595,534	1,289,394	645,377	196,323	6,579,414
Impairment constituted (Euros '000)	11,415	39,103	818	2,818	15,290	69,444
Total						
Number of operations	39,044	105,039	303,160	875,202	800	1,323,245
Value (Euros '000)	4,055,360	14,006,562	14,816,743	2,051,397	1,538,939	36,469,001
Impairment constituted (Euros '000)	331,539	481,004	107,406	65,321	247,503	1,232,773

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 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:

	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	6,822	2,057	8,728	8,474	226,978	447
Value (Euros '000)	854,914	93,528	1,264,438	313,327	28,536,472	23,771
>= 0.5 M€ and < 1 M€						
Number	582	45	990	90	2,147	5
Value (Euros '000)	393,818	28,238	687,766	61,321	1,393,748	2,876
>= 1 M€ and < 5 M€						
Number	370	35	764	78	348	2
Value (Euros '000)	748,083	55,639	1,504,817	151,753	527,942	2,916
>= 5 M€ and < 10 M€						
Number	61	3	93	16	4	-
Value (Euros '000)	424,210	19,280	646,698	113,519	24,124	-
>= 10 M€ and < 20 M€						
Number	28	1	51	11	-	-
Value (Euros '000)	379,121	12,834	690,498	158,151	-	-
>= 20 M€ and < 50 M€						
Number	22	-	27	3	-	-
Value (Euros '000)	630,522	-	802,373	86,423	-	-
>= 50 M€						
Number	3	-	8	2	-	-
Value (Euros '000)	176,677	-	669,380	688,193	-	-
Total						
Number	7,888	2,141	10,661	8,674	229,477	454
Value (Euros '000)	3,607,345	209,519	6,265,970	1,572,687	30,482,286	29,563

(*) 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:

	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	7,402	7,491	223,761	11,400	9,749	435
Value (Euros '000)	908,456	282,923	27,939,485	324,584	1,337,824	23,727
>= 0.5 M€ and < 1 M€						
Number	508	86	1,853	81	930	6
Value (Euros '000)	342,307	58,169	1,197,889	56,128	647,912	3,948
>= 1 M€ and < 5 M€						
Number	358	86	270	51	731	2
Value (Euros '000)	715,082	168,733	403,431	94,534	1,448,140	4,039
>= 5 M€ and < 10 M€						
Number	44	13	3	6	95	-
Value (Euros '000)	297,858	90,754	18,391	39,788	649,917	-
>= 10 M€ and < 20 M€						
Number	33	14	-	3	56	-
Value (Euros '000)	482,274	191,522	-	39,212	750,589	-
>= 20 M€ and < 50 M€						
Number	11	4	-	1	28	-
Value (Euros '000)	349,394	108,978	-	21,643	858,911	-
>= 50 M€						
Number	3	4	-	-	9	-
Value (Euros '000)	189,577	842,987	-	-	834,614	-
Total						
Number	8,359	7,698	225,887	11,542	11,598	443
Value (Euros '000)	3,284,948	1,744,066	29,559,196	575,889	6,527,907	31,714

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 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)

	31 December 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,646,104	683,188	467,158	200,729
<60%	5,168	227,896	199,585	63,305	14,270
>=60% and <80%	2,655	414,992	72,633	97,792	15,591
>=80% and <100%	1,138	89,103	48,765	90,372	25,733
>=100%	14,986	172,060	144,066	794,268	412,533
Companies - Other Activities					
Without associated collateral	n.a.	11,788,615	1,973,445	1,543,516	991,146
<60%	14,352	582,543	354,653	188,168	53,500
>=60% and <80%	3,277	394,605	185,614	127,616	32,203
>=80% and <100%	1,705	199,698	163,570	115,983	50,982
>=100%	8,064	677,799	336,092	684,357	458,118
Mortgage loans					
Without associated collateral	n.a.	193,786	4,697	2,105	1,870
<60%	165,269	5,174,838	763,161	142,291	3,742
>=60% and <80%	101,766	5,093,550	874,775	180,221	5,471
>=80% and <100%	43,015	1,827,831	524,200	193,505	6,244
>=100%	14,555	393,231	165,185	264,818	65,406

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.	1,651,283	694,998	821,881	369,261
<60%	5,319	227,294	145,538	67,943	12,995
>=60% and <80%	1,953	110,162	97,397	154,283	21,901
>=80% and <100%	1,295	49,251	178,053	150,692	49,304
>=100%	11,617	57,971	236,009	1,004,069	418,104
Companies - Other Activities					
Without associated collateral	n.a.	12,770,440	1,325,228	1,729,795	953,370
<60%	13,441	471,045	275,485	205,132	60,118
>=60% and <80%	2,704	384,493	190,920	152,749	44,805
>=80% and <100%	1,802	202,880	103,162	131,633	56,723
>=100%	6,316	328,957	302,079	1,068,303	695,500
Mortgage loans					
Without associated collateral	n.a.	229,207	48,444	3,646	4,650
<60%	161,179	4,885,038	716,065	161,212	3,963
>=60% and <80%	98,753	4,673,616	857,616	207,967	5,848
>=80% and <100%	47,395	1,868,965	550,852	277,533	10,536
>=100%	18,673	399,347	185,259	445,785	121,723

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.	1,915,463	654,115	328,967
<60%	5,798	335,584	63,636	10,615
>=60% and <80%	2,688	236,232	140,127	19,755
>=80% and <100%	1,547	263,514	116,944	44,992
>=100%	36,680	359,382	1,103,286	420,833
Companies - Other Activities				
Without associated collateral	n.a.	10,493,524	1,230,363	652,536
<60%	14,006	800,969	143,724	53,102
>=60% and <80%	2,614	542,076	118,342	31,047
>=80% and <100%	2,489	368,997	128,757	54,453
>=100%	6,187	1,132,183	579,403	374,409
Mortgage loans				
Without associated collateral	n.a.	277,724	3,574	3,258
<60%	161,179	5,623,105	139,209	2,751
>=60% and <80%	98,753	5,560,018	179,182	4,204
>=80% and <100%	47,395	2,446,865	250,486	9,309
>=100%	18,673	595,881	434,509	118,984

As at 31 December 2018, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 25), by type of asset:

(Thousands of euros)

	2018	
	Assets arising from recovered loans results (note 25)	
Asset	Appraised value	Book value
Land		
Urban	478,205	433,406
Rural	29,206	26,402
Buildings in development		
Commercials	25,510	22,921
Mortgage loans	41,876	35,428
Constructed buildings		
Commercials	309,998	275,965
Mortgage loans	397,999	349,063
Others	159	100
Others	179	179
	1,283,132	1,143,464

As at 31 December 2017, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 25), by type of asset:

(Thousands of euros)

Asset	2017 Assets arising from recovered loans results (note 25) Appraised value	2017 Assets arising from recovered loans results (note 25) Book value
Land		
Urban	527,824	484,750
Rural	9,964	7,631
Buildings in development		
Commercials	5,246	4,640
Mortgage loans	40,963	37,473
Constructed buildings		
Commercials	345,152	306,000
Mortgage loans	589,527	528,474
Others	320	123
	1,518,996	1,369,091

Market risk

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined:

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 management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Bank 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 Bank 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 - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - 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 table below presents the amounts at risk for the Trading Book, as at 31 December 2018 and 2017, and measured by the methodologies referred to above:

(Thousands of euros)

	2018	Maximum	Average	Minimum	2017
Generic Risk (VaR)	3,110	5,149	2,657	1,118	2,543
Interest Rate Risk	3,173	5,237	2,622	899	2,481
FX Risk	1,802	163	900	624	269
Equity Risk	34	89	52	23	36
Diversification effects	(1,899)	(340)	(917)	(428)	(243)
Specific Risk	46	249	105	18	99
Non-Linear Risk	-	17	10	-	7
Commodities Risk	5	7	3	1	6
Global Risk	3,161	5,319	2,775	1,746	2,655

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 identifying 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 Bank's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Bank'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 Bank'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 Bank holds material positions:

(Thousands of euros)

	2018			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	215	215	503	985
EUR	(47,804)	(52,516)	145,700	281,223
PLN	(1,947)	(1,183)	1,164	2,311
USD	(19,518)	(9,566)	9,190	18,010
	(69,054)	(63,050)	156,557	302,529

(Thousands of euros)

	2017			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	165	165	454	889
EUR	(103,147)	(102,624)	222,552	428,871
PLN	(3,248)	(2,008)	1,983	3,943
USD	(20,033)	(9,880)	9,457	18,477
	(126,263)	(114,347)	234,446	452,180

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

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 specialization 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 hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments. On an individual basis hedge accounting is made for hedge investments on investments os subsisiries, by applying Fair Value Hedge.

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland), the fair value hedge accounting model.

The amount of the investment subject to hedging is PLN 2,570,017,000 (31 December 2017: PLN 2,570,017,000), with the equivalent amount of Euros 598,151,000 (31 December 2017: Euros 615,484,000), with the hedging instrument in the same amount.

These hedging relationships were considered effective during the entire period of 2018, as described in the accounting policy in note 1 B.4.

Regarding equity risk, the Bank maintains a series of small size and low risk equity positions, essentially 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' control.

Liquidity risk

The assessment of the Bank's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The evolution of the Banks's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators 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 set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the Bank's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfill their obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

Considering the prudential criteria adopted by the Group for liquidity management, the control of market financing needs and the strenghtening of the liquidity buffer provided by the portfolio available for discount at the ECB continued to receive particular attention. In this line, the portfolio of ECB assets available for discount reached Euros 16,002,452,000 as at December 2018, plus Euros 4,023,403,000 than 2017 figure, of which Euros 6,817,511,000 mobilized in the ECB's monetary policy pool.

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of euros)

	2018	2017
European Central Bank	6,817,511	6,974,487

As at 31 December 2018, the amount discounted in the European Central Bank amounts to Euros 4,000,000,000 (31 December 2017: Euros 4,000,000,000).

Liquidity coverage ratio

The Bank structurally improved its liquidity profile by recording as at 31 December 2018 a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) of 90% and as at 31 December 2017 this ratio was set at 95% (according to the current version of the Instruction as at 31 December 2018).

Hedging accounting

As at 31 December 2018, the table below includes the detail of the hedging instruments used in the Bank's hedging strategies:

(Thousands of euros)

	Hedging instruments				
			Book value		
Type of hedging	Balance sheet item	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	2,763,274	12,372	60,882	(13,608)
		2,763,274	12,372	60,882	(13,608)
Cash flows hedging					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	11,880,000	80,519	7,604	107,294
		11,880,000	80,519	7,604	107,294
Total		14,643,274	92,891	68,486	93,686

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2017, the table below includes the detail of the hedging instruments used in the Bank's hedging strategies:

(Thousands of euros)

Type of hedging	Balance sheet item	Nocional	Hedging instruments – Book value – Assets	Hedging instruments – Book value – Liabilities	Change in fair value (A)
Fair value hedge					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	6,439,728	17,060	53,401	9,178
- Others	Hedging derivatives	450,000	-	12,899	(14,775)
		6,889,728	17,060	66,300	(5,597)
Cash flows hedging					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	12,050,000	1,744	46,052	(51,104)
		12,050,000	1,744	46,052	(51,104)
Total		18,939,728	18,804	112,352	(56,701)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2018, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	Balance sheet item	Hedged items – Book value – Assets	Hedged items – Book value – Liabilities	Cumulative value of the adjustments – Assets	Cumulative value of the adjustments – Liabilities	Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve – Hedging relationships in effect	Cash flow hedge reserve / Currency translation reserve – Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	462,400	-	5,306	-	444	n.a.	n.a.
	(C)	2,183,957	-	(47,870)	-	17,935	n.a.	n.a.
	(D)	-	260,000	-	2,797	(3,796)	n.a.	n.a.
	(E)	-	180,650	-	7,417	1,679	n.a.	n.a.
	(F)	-	2,517	-	11	20	n.a.	n.a.
	(G)	-	7,685	-	137	196	n.a.	n.a.
		2,646,357	450,852	(42,564)	10,362	16,478	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
- Interest rate swaps	(B)	11,880,000	-	-	-	(107,294)	63,052	50,648
		11,880,000	-	-	-	(107,294)	63,052	50,648
Total		14,526,357	450,852	(42,564)	10,362	(90,816)	63,052	50,648

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

As at 31 December 2017, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	Balance sheet item	Hedged items - Book value - Assets	Book value - Liabilities	Cumulative value of the adjustments - Assets	Cumulative value of the adjustments - Liabilities	Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve - Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	468,090	-	4,886	-	(1,167)	n.a.	n.a.
	(C)	689,950	-	(29,543)	-	8,552	n.a.	n.a.
	(D)	-	4,760,000	-	(11,566)	(9,907)	n.a.	n.a.
	(E)	-	205,438	-	9,119	7,700	n.a.	n.a.
	(F)	-	52,900	-	8,447	(713)	n.a.	n.a.
	(G)	-	263,350	-	39,369	(3,701)	n.a.	n.a.
		1,158,040	5,281,688	(24,657)	45,369	764	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
- Interest rate swaps	(B)	11,880,000	-	-	-	51,104	158,483	70,690
		11,880,000	-	-	-	51,104	158,483	70,690
Total		13,038,040	5,281,688	(24,657)	45,369	51,868	158,483	70,690

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

As at 31 December 2018, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons: - Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
- Interest rate swaps	(D)	n.a.	2,870		n.a.	n.a.
		n.a.	2,870		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	23,004	-
		-	-		23,004	-
Total		-	2,870		23,004	-

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2017, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons: Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
- Interest rate swaps	(D)	n.a.	(4,833)		n.a.	n.a.
		n.a.	(4,833)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	26,586	-
		-	-		26,586	-
Total		-	(4,833)		26,586	-

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2018, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

Type of hedging	Remaining period: Up to 3 months	3 months to 1 year	Over 1 year	Total	Fair value: Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	24,500	2,738,774	2,763,274	12,372	60,882
Fixed interest rate (average)		3.44%	1.31%	1.34%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

As at 31 December 2017, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	5,288	6,434,440	6,439,728	17,060	53,401
Fixed interest rate (average)		4.00%	0.72%	0.72%		
Others	450,000	-	-	450,000	-	12,899
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	12,050,000	12,050,000	1,744	46,052
Total derivatives traded by:						
OTC Market	450,000	5,288	18,484,440	18,939,728	18,804	112,352

Operational Risk

The operational risk management system adopts the "3 Lines of Defence" model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the Bank have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Office is part of the 2nd Line of Defence and is responsible for implementing the risk policies defined for the Group, for developing and proposing methodologies for managing this risk, for supervising their implementation and for challenging the 1st Line of Defence regarding the risk levels incurred, reporting to the Operational Risk and Internal Control Monitoring Committee.

In 2018, the usual operational risk management activities continued to be carried out by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

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, there are no relevant covenants related to a possible downgrade of BCP.

50. Contingent liabilities and other commitments

In accordance with accounting policy 1V.3, the main Contingent liabilities and other commitments under IAS 37 are as follows:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of the Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between credit institutions in the Portuguese banking market.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the PCA – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearing of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to refuse the application for confidential treatment of some of the information included in the Bank's defence, restating its arguments. The Bank submitted a non-confidential revised version of its reply but reaffirmed that it is not the Bank that must protect the confidential information of the co-defendants. On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restated its opposition to the PCA's request).

If the PCA issues a conviction decision, the Bank may be subject to a fine calculated in accordance with the applicable legislation, namely pursuant to article 69 of Law no. 19/2012, of 8 May. However, the Bank may challenge the application of any sanction.

2. On 3 December 2015 a class action was served on the Bank Millennium, S.A. (Bank Millennium) in Poland. A group of the Bank Millennium debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.81 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. The plaintiff group was extended in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.81 million) to over PLN 5 million (Euros 1.16 million).

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7.37 million (Euros 1.72 million). On 21 November 2018, Bank Millennium filed objections regarding the membership of individual people in the group.

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all people who joined the proceedings may participate in the group).

3. On 21 October 2014 a class action was delivered to Bank Millennium in which a group of the Bank Millennium borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage agreements.

The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was the result from the application of abusive contractual provisions concerning the CHF-indexation of credits.

The number of the group members amounts to approximately 5,400 and the value of the litigation has been estimated to approximately PLN 146 million (Euros 34 million). The number of loan agreements involved is approximately 3,400. The current stage of the proceedings is establishing the composition of the group (i.e. determining whether all people who joined the group may participate in the group).

4. 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, worth of the dispute PLN 521.9 million (Euros 121.5 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 Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., that resulted in considering the loan as overdue.

In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250 million (Euros 58.2 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim.

Supporting the position of Bank Millennium, Bank's Millennium attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium.

Favourable forecasts for Bank Millennium, as regards dismissal of the suit brought by EFWP-B to the Warsaw Regional Court, have been confirmed by a renowned law firm representing Bank Millennium in this proceeding.

5. On 19 January 2018, Bank Millennium has received the lawsuit petition of First Data Polska SA requesting the payment of PLN 186.8 million (Euros 43,5 million). First Data Polska SA claims a share in an amount which Bank Millennium has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with Bank Millennium on cooperation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. Bank Millennium does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law. The case is being examined by the Court of First Instance.

6. 2018 year did not bring legal changes towards FX mortgage portfolios. On 2 August 2016 the Poland President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law, to be approved, provides for the application to all 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 Conversion 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 Conversion 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 Conversion 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, assessed based on FX mortgage balance (PLN 128 billion (Euros 29.8 billion) in December 2018 according to the Polish Financial Supervision Authority (KNF)), equal to up to PLN 2.6 billion (Euros 600 million) in the first year of operation of the Conversion Fund. According to the Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables with consideration of stability of the financial system and effective use of money in the Restructuring Fund. After Government's acceptance and voting of several changes by the Parliamentary Committees, Presidential Bill of 2 August 2017 will be able to put to the vote by the chambers of Parliament.

The two above Bills included, 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 Group. However if any of the Bills is adopted and begins to bind banks, this may lead to significant reduction of the Group's future 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) that the Court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares since they acted pursuant to a request made by the Bank for the making of the respective purchases and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) that the Court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) that the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to deliver to them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim wherein it requests the conviction, namely of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The Court made a decision accepting the formalities of right of action and already established the facts proven and those that must be proven yet. We are waiting for the appointment of an expertise, requested by the plaintiffs, and each one of the parties must, afterwards, indicate an expert and the Court shall indicate a third expert.

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, on that date, 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 (CCA) 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 (**).

On 28 March 2018, following the disclosure of the 2017 annual results by Novo Banco, the Resolution Fund made a communication on the activation of the CCA totalling EUR 792 million. According to this press release, the amount determined by Novo Banco falls within the obligations of the Resolution Fund agreed upon in connection with the partial sale of the Resolution Fund's stake in Novo Banco, which includes the CCA, and is contained in that limit.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 791,695 thousand 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.

In its 2018 annual results press release, on 1 March 2019, Novo Banco states that "in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. 69% of this amount results from the losses incurred on the assets included in the CCA and 31% due to regulatory requirements for capital increase in the adjustment of the transitional period of capital ratios and to the impact of IFRS 9".

On the same day, the Resolution Fund reported that the amount determined by Novo Banco falls within the obligations established in the contract by 2017 and are contained in the maximum limit of Euros 3,890 million. The same press release mentions that the payment due in 2019 by the Resolution Fund will be carried out after the legal certification of Novo Banco's accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for.

Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

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 Resolution Fund expects that there will be no relevant situations triggering the guarantee provided by the Resolution Fund.

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 was funded through a loan granted by the State.

(*) Exact value not disclosed by the European Commission for confidentiality reasons

(**) As referred to in the respective European Commission Decision

(***) According to 2018 Novo Banco's earnings institutional presentation, the minimum capital condition is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first years (2017-2019); (ii) CET1 < 12%

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 of Euros 136 million 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 and 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 (according to the Resolution Fund Annual Report of 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 held, as at 31 December 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 subject to a capital ratio trigger (CET1 below 8%-13%) and some additional conditions. The amount that can be reclaimed under the CCA is subject to the CCA cap or EUR 3.89 billion (*) (**) (***);
- 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 under the CCA is subject to the CCA cap of EUR 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 instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;
- In case the SREP total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State can provide additional capital in certain conditions and through different instruments (**);
- 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.
- According to a Resolution Fund's press release dated 1 March 2019, "In accordance with 2018 Novo Banco's earnings release, the amount to be paid in 2019 by the Resolution Fund will amount to Euros 1,149 million (...) Under the terms agreed on the contract, a payment of Euros 791.7 million was made in 2018. The amount paid in 2018 and the amount now determined by Novo Banco fall within the obligations contracted in 2017 and is within that cap. The payment due in 2019 by the Resolution Fund will be carried out after the legal certification of Novo Banco's accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for. To make the payment, the Resolution Fund will use, firstly, the available financial resources, resulting from the contributions paid, directly or indirectly by the banking sector. These resources will be complemented by the use of a loan agreed with the State in October 2017, with the annual cap, then set, of Euro 850 million".

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

(***) According to 2018 Novo Banco's earnings institutional presentation, the minimum capital condition is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first years (2017-2019); (ii) CET1 < 12%

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% in 2017.

Thus, during 2018, the Bank made regular contributions to the Resolution Fund in the amount of Euros 11,151 thousands. The amount related to the contribution on the banking sector, registered in the first semester of 2018, was Euros 30,422 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 Bank had to make an initial contribution in the amount of Euros 30,843 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 Bank was Euros 23,442 thousands, of which the Bank delivered Euros 19,926 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, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5(e) of the Regulation of the Resolution Fund, approved by the Ministerial Order No. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen. Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

9. An administrative proceedings initiated by Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A., opposing to the resolution adopted by Banco de Portugal on 31 March 2017 to sell Novo Banco (NB), and, as a precaution, the resolution adopted by the Resolution Fund, on the same date, to execute that resolution in the extent that it foresees the sale of NB by resorting to a contingent capitalization mechanism, according to which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3.9 billion, under determined circumstances. In the proceedings, the Claimants request the declaration of nullity or annulment of those acts.

The proceedings was filed based on the information contained in the Communication from Banco de Portugal dated 31 March 2017, of which the Claimants were not notified.

The proceedings was filed on 4 September 2017. Banco de Portugal and the Resolution Fund presented its arguments and only very recently Nani Holdings SGPS, S.A did the same since, by delay of the Court, this company was only very recently notified to act as a party in the proceedings.

Besides opposing to it, the Defendants invoke three objections (i) the illegitimacy of the Claimants, (ii) the argument that the act performed by Banco de Portugal cannot be challenged and (iii) the material incompetence of the Court. The opponent part invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The Claimants replied to the arguments presented by the Defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Banco de Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but the majority of the documents delivered were truncated in such a way that neither the Court nor the Claimants are able to get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the Court to order Banco de Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings is prepared for confirmation of the decision accepting the formalities of right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the Claimants to identify it. Afterwards that Bank will be notified to presents its opposition arguments.

10. 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.

11. 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, as long as there are distributable profits and the General Meeting so decides, part of the profits to be attributed to employees as compensation for this. This compensation may occur in a phased manner and does not constitute an acquired right. In the current year, as the result of the proposal for the application of results, it will already be proposed to the General Meeting to allocate a budget for this purpose.

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.

12. 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.

13. 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.

After several procedural extraordinary events, on 27 January 2019, the Court issued a new sentence - which fully reproduces the previous one issued on 25 May 2018 - considering: (i) rejected the request made by the Bank consisting in the reduction of the pensions paid and to be paid to the first defendant 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 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.

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.

51. Recently issued accounting standards

1- The recently issued accounting standards and interpretations that came into force in 2018 are as follows:

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union with mandatory application for the financial year of the Bank started on 1 January 2018:

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 replace IAS 39 - Financial Instruments: Recognition and Measurement and provide 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 at the date of initial application (1 January 2018), as detailed in note 52.

Amendment to IFRS 9: Prepayment features with negative clearing (applicable in the European Union for years beginning on or after 1 January 2019):

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value through reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

The Bank applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 52.

IFRS 15 - Revenue from contracts with customers

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter transactions involving advertising services.

There were no material impacts on the application of this standard in the Bank's financial statements.

Amendments to IFRS 15 - Revenue from contracts with customers

These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

There were no material impacts on the application of this amendments in the Bank's financial statements.

IFRIC 22 - Foreign currency transactions and down payments

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

There were no material impacts on the application of this interpretation in the Bank's financial statements.

Amendments to IAS 40 - Transfers of investment property

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

There were no material impacts on the application of this amendments in the Bank's financial statements.

Amendments to IFRS 2 - Share-based payments

These amendments introduce various clarifications in the standard related to: (i) recording cash settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.

There were no material impacts on the application of this amendments in the Bank's financial statements.

Improvements to international financial reporting standards (cycle 2014-2016)

These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

There were no material impacts on the application of this improvements in the Bank's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

IFRIC 23 - Uncertainties in the treatment of income tax (applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

The Bank does not anticipate material impact on the application of this interpretation in its financial statements.

IFRS 16 - Leases (applicable in the European Union to annual periods beginning on or after 1 January 2019)

IFRS 16 was approved by EU in October 2017 and enters into force in the periods starting on or after 1 January 2019. Its early application is permitted through the fulfilment of certain requirements.

This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases. The Bank will apply the principles set out in IFRS 16 at the beginning of 2019 and, after a preliminary assessment, the following impacts are expected:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases, not being expected substantial changes for the Bank compared to which was already defined in IAS 17;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Bank chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard won't be applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e. the right to obtain substantially all of the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee 's perspective

The Bank will recognise for all leases, except for those with a term under 12 months or for low value underlying asset leases:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Lease payments shall be discounted at the interest rate implicit in the lease, if that rate is easily determinable. If not, the lessee's incremental borrowing rate shall be used. Subsequently, lease payments will be measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in-substance fixed payments.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17. Thus, it is not expected that the lessor will make transition adjustments resulting from the adoption of IFRS 16. The Bank does not anticipate any impact on the application of this change in its financial statements.

Transition

On 1 January 2019, the Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank will apply this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Bank will recognise a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable;
- discount rate: it was used the lessee 's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Bank's risk spread, applied over the weighted average term of each lease contract;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Bank identified that the main lease contracts that will be covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles. According to the preliminary analysis made, the Bank estimates that, by applying this new standard in January 2019, its total assets and liabilities will have an increased amount of Euros 160 million, approximately. The adoption of IFRS 16 will result in changes in the Amortisations and depreciations, Other administrative costs and Interest expense, but, on a net basis, these changes will not result in material impacts in the Income statements.

Amendment to IFRS 4: application of IFRS 9 - Financial instruments with IFRS 4 - Insurance contracts

This amendment provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

Amendment to IAS 28: Long-term investments in associates and joint arrangements (applicable in the European Union for years beginning on or after 1 January 2019)

This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.

Improvements to international financial reporting standards (cycle 2015-2017) - (applicable in the European Union for years beginning on or after 1 January 2019)

These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary on which previously had joint control; IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has gotten ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

Amendment to IAS 19: Plan Amendment, Curtailment or Settlement (applicable in the European Union for years beginning on or after 1 January 2019)

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2018, as their application is not yet mandatory.

3 - Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and therefore not applied by the Bank:

IFRS 17 - Insurance Contracts (applicable for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.

Amendments to References to the Conceptual Framework in IFRS Standards (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments in several standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32) related to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised definitions of an asset and liability and new guidance on measurement, derecognition, presentation and disclosure.

Amendment to IFRS 3: Definition of a Business (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments in the definition of a business and clarifies the identification of the acquisition of a business or an acquired set of activities and assets. The revised definition also clarifies the definition of a business output by focusing on goods and services provided to customers. The changes also add guidance and illustrative examples to help entities assess an acquisition of a business.

Amendments to IAS 1 and IAS 8: Definition of material (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their adoption will result in significant impacts on the Bank's accompanying financial statements.

52. 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 345,207,000.

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 1B.

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 174,577,000.

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) were recognised in the income statement, while under IFRS 9 these fair value changes arepresented as follows: the amount related to the variation in the fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining value of the change in fair value is presented in profit or loss.

The Bank 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 the 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 were recognised in OCI and the amount recognised in OCI in each year is variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity, at the nominal value.

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 Bank's equity

The impacts on the Bank'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
Equity as at 31 December 2017 - Before IFRS 9	5,872,937	44,501	11,829	5,929,267
Impairment				
Loans and advances to credit institutions	-	-	(703)	(703)
Loans and advances to customers	-	-	(153,917)	(153,917)
Debt instruments	-	-	(4,784)	(4,784)
	-	-	(159,404)	(159,404)
Provisions	-	-	(9,079)	(9,079)
Changes in securities classification	-	(115,914)	109,838	(6,076)
Own credit risk	-	1,958	(1,958)	-
	-	(113,956)	(60,603)	(174,559)
Current and deferred tax assets	-	26,627	(197,275)	(170,648)
Total impact	-	(87,329)	(257,878)	(345,207)
Equity as at 1 January 2018 - After IFRS 9	5,872,937	(42,828)	(246,049)	5,584,060

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	1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand	156,460	-	-	156,460
Financial assets at amortised cost				
Loans and advances to credit institutions	1,254,472	-	(703)	1,253,769
Loans and advances to customers	31,349,425	-	(153,917)	31,195,508
Debt instruments	2,007,520	437,130	(10,860)	2,433,790
Financial assets at fair value through profit or loss				
Financial assets held for trading	770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss	n.a.	1,832,687	-	1,832,687
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.	4,772,573	-	4,772,573
Financial assets available for sale	6,692,982	(6,692,982)	-	n.a.
Financial assets held to maturity	342,785	(342,785)	-	n.a.
Hedging derivatives	18,804	-	-	18,804
Investments in associated companies	3,370,361	-	-	3,370,361
Non-current assets held for sale	1,480,112	-	-	1,480,112
Other tangible assets	217,101	-	-	217,101
Goodwill and intangible assets	21,409	-	-	21,409
Current tax assets	7,208	-	-	7,208
Deferred tax assets	3,018,508	-	(170,648)	2,847,860
Other assets	1,434,731	-	-	1,434,731
TOTAL ASSETS	53,576,516	-	(336,128)	53,240,388
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,825,051	-	-	7,825,051
Resources from customers	32,135,035	-	-	32,135,035
Non subordinated debt securities issued	1,440,628	-	-	1,440,628
Subordinated debt	1,021,541	-	-	1,021,541
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	381,380	-	-	381,380
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	112,352	-	-	112,352
Provisions	269,057	-	9,079	278,136
Current tax liabilities	1,269	-	-	1,269
Other liabilities	617,291	-	-	617,291
TOTAL LIABILITIES	47,647,249	-	9,079	47,656,328
EQUITY				
Share capital	5,600,738	-	-	5,600,738
Share premium	16,471	-	-	16,471
Other equity instruments	2,922	-	-	2,922
Legal and statutory reserves	252,806	-	-	252,806
Reserves and retained earnings	(61,691)	118,021	(345,207)	(288,877)
Net income for the year attributable to Bank's Shareholders	118,021	(118,021)	-	-
TOTAL EQUITY	5,929,267	-	(345,207)	5,584,060
	53,576,516	-	(336,128)	53,240,388

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	1,291,663	Cash and deposits at Central Banks	Amortised cost	1,291,663
Loans and advances to credit institutions repayable on demand	Amortised cost	156,460	Loans and advances to credit institutions repayable on demand	Amortised cost	156,460
Loans and advances to credit institutions	Amortised cost	1,254,472	Loans and advances to credit institutions	Amortised cost	1,253,769
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,349,425	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,195,508
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	342,785	Financial assets at amortised cost - Debt instruments	Amortised cost	342,785
Financial assets available for sale	FVOCI (available for sale)	6,692,982	Financial assets at fair value through other comprehensive income	FVOCI	4,765,950
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,832,687
			Financial assets at amortised cost - Debt instruments	Amortised cost	86,431
Financial assets held for trading	FVTPL	770,639	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	764,016
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	18,804	Hedging derivatives	FVTPL	18,804

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		1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		156,460	-	-	156,460
Loans and advances to credit institutions					
Opening balance in IAS 39		1,254,472	-	-	1,254,472
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,254,472	-	(703)	1,253,769
Loans and advances to customers					
Opening balance in IAS 39		31,349,425	-	-	31,349,425
Remeasurement: impairment losses	(A)	-	-	(153,917)	(153,917)
Final balance in IFRS 9		31,349,425	-	(153,917)	31,195,508
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer: of available financial assets for sale (IAS 39)	(E)	-	94,345	-	94,345
Transfer: from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	342,785	-	342,785
Remeasurement: impairment losses	(A)	-	-	(4,784)	(4,784)
Remeasurement: fair value to amortised cost		-	-	(6,076)	(6,076)
Final balance in IFRS 9		2,007,520	437,130	(10,860)	2,433,790
Financial assets held to maturity					
Opening balance in IAS 39		342,785	-	-	342,785
Transfer: for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(342,785)	-	(342,785)
Final balance in IFRS 9		342,785	(342,785)	-	-
Total of financial assets at amortised cost		36,402,325	94,345	(165,480)	36,331,190

(Thousands of euros)

		Financial assets at fair value through other comprehensive income (FVOCI)			
	Notes	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)	-	4,734,385	-	4,734,385
Transfer: of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	4,741,008	-	4,741,008
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)	-	31,565	-	31,565
Final balance in IFRS 9		-	31,565	-	31,565
		-	4,772,573	-	4,772,573
Financial assets available for sale					
Opening balance in IAS 39		6,692,982	-	-	6,692,982
Transfer: Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,832,687)	-	(1,832,687)
Transfer: for financial assets at amortised cost (IFRS 9)	(E)	-	(94,345)	-	(94,345)
Transfer: to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(4,734,385)	-	(4,734,385)
Transfer: to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,565)	-	(31,565)
Final balance in IFRS 9		6,692,982	(6,692,982)	-	-
Total financial assets at fair value through other comprehensive income		6,692,982	2,820,599	-	9,513,581

(Thousands of euros)

		Financial assets at fair value through profit or loss (FVTPL)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets held for trading					
Opening balance in IAS 39		770,639	-	-	770,639
Transfer: to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		770,639	(6,623)	-	764,016
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)	-	1,832,687	-	1,832,687
Final balance in IFRS 9		-	1,832,687	-	1,832,687
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		18,804	-	-	18,804
Total financial assets at fair value through profit or loss		931,779	1,826,064	-	2,757,843

Notes:

(A) Under the IFRS 9 criteria, additional impairments were calculated resulting from the application of the concept of expected loss 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 and of units of participation in funds that do not fall within the definition of equity instruments: 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.

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	2,742,244	-	153,917	2,896,161
Debt securities	42,886	-	4,784	47,670
Total	2,785,130	-	159,404	2,944,534
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt securities	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt securities	87,368	(83,646)	6,094	9,816
Commitments and financial guarantees issued	269,057	-	9,079	278,136
Total	3,141,555	(83,646)	174,577	3,232,486

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt securities) 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).

53. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2018, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0
Banco ActivoBank, S.A.	Lisbon	64,500,000	EUR	Banking	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	12,106,743	EUR	Real-estate management	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	85.7
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	50,000	EUR	Real-estate company	100.0
Planfipsa S.G.P.S., S.A.	Belas	10,252,000	EUR	Holding company	51.0
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0

(*) Company classified as non-current assets held for sale.

As at 31 December 2018, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	99,038,784	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	4,353,444	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	97,894,785	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,664,172	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	73,333,000	EUR	Real estate investment fund	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	10,170,000	EUR	Real estate investment fund	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0

(*) Company classified as non-current assets held for sale.

As at 31 December 2018, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Dublin	50,002,375	EUR	Life reinsurance	49.0

As at 31 December 2018, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	141,710,595	EUR	Banking	19.9
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3
Projepolska, S.A.	Cascais	9,424,643	EUR	Real-estate company	23.9
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

During 2018, were included the subsidiaries Planfipsa S.G.P.S., S.A. and Cold River's Homestead, S.A., and also included the associated companies PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E and Projepolska, S.A.

The Bank also liquidated S & P Reinsurance Limited and closed ACT-C-Indústria de Cortiças, S.A.

54. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy Z), the events that occurred after the date of the financial statements until the date of its approval were as follows:

Issue of perpetual subordinated notes (Additional Tier 1) by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as additional Tier 1 core capital instrument ("Additional Tier 1" or “AT1”).

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Declaration of Compliance

Millennium bcp

Administração

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the condensed individual and consolidated balance sheets as at 31 December 2018, (ii) the condensed individual and consolidated income statements for the year ended on 31 December 2018, (iii) the condensed individual and consolidated statement of changes in equity and cash flow statement for the year ended on 31 December 2018, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 31 December 2018, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance to the International Accounting Standards, endorsed by the European Union.

The Bank's condensed individual and consolidated financial statements relative to 31 December 2018 were approved by the Board of Directors on 23 April 2019.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 23 April 2019.

Lisbon, 23 April 2019

Nuno Manuel da Silva Amado
(Chairman)

Jorge Manuel Baptista Magalhães Correia
(Vice-Chairman)

Valter Rui Dias de Barros
(Vice-Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Ana Paula Alcobia Gray
(Member)

Cidália Maria Mota Lopes
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

José Manuel Alves Elias da Cost
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Julia Gu (Xiaoxu Gu)
(Member)

Millennium bcp

Administração

Lingjiang Xu
(Member)

Maria José Henriques Barreto de Matos de Campos
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Rui Manuel da Silva Teixeira
(Member)

Teófilo César Ferreira da Fonseca
(Member)

Wan Sin Long
(Member)

Annual Report of the Audit Committee

ANNUAL REPORT OF THE AUDIT COMMITTEE

I - Introduction

The Audit Committee (Commission) of Banco Comercial Português, S.A. (Bank) hereby presents the report of its supervisory action, related to the 2018 fiscal year, in compliance with the legally established in art. 423-F of the Commercial Companies Code.

II – Competences of the Audit Committee

The Audit Committee is the supervisory body of the Bank, responsible for monitoring the compliance with the law and of the articles of association and it has, namely, the following duties:

A. In General

a) Supervising the Bank's management;
b) Monitor the Group's management, which is understood as covering all the entities within the Bank's consolidation perimeter, notwithstanding the powers of the supervisory bodies of the local entities;
c) Calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
d) Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;
e) Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's Annual Reports are appraised;

f) Monitoring the entire procedure for the preparation and disclosure of financial information and present recommendations or proposals to ensure that such procedure is reliable;
g) Overseeing the audit to the individual and consolidated financial statements, particularly its execution, taking into account possible analysis or guidelines issued by the supervision authorities and to verify that the financial statements are compliant with the applicable legal framework;
h) Verifying the accuracy of the financial statements;
i) Issuing an opinion on the report, the financial statements and the proposal for the application of results to be submitted to the Annual General Meeting;
j) Analyse and monitor, periodically, the financial statements and the main prudential indicators, the risk report prepared by the Risk Office, the activity of the Compliance Office, the activity of the Internal Audit, handling of complaints and claims and the main correspondence exchanged with the Supervision Authorities;
k) Issuing an opinion on the Bank's Annual Budget, in a medium and long-term perspective, focusing particularly on the meeting of the objectives set out in the Bank's Strategic Plan and on the compliance with the capital requirements;
l) Drawing up an annual report to inform the Board of Directors of the results of the audit to the financial statements, explaining how the audit contributed to the integrity of the procedure for preparing and disclosing financial information, as well as describing the role the Committee played in that procedure, clearly stating its concurrence with the contents of the legal certification of accounts, when applicable;
m) Issuing an opinion on the share capital increases resolved by the Board of Directors;
n) Providing an opinion on the suspension of directors and on the appointment of substitute directors in accordance with the law and with the Bank's articles of association;
o) Deciding, in accordance with the resolution of the Board of Directors, on the Group Codes that are within its competence.

B. Internal Control System

p) Supervising the efficiency of the risk management system, of the internal control system and of the internal audit system, in what regards the procedure for preparing and disclosing financial information of the Bank's whole consolidation perimeter, notwithstanding the competences of the respective bodies of the local entities;
q) Issuing a prior opinion on the external entity that aids in the assessment of the adequacy and efficiency of the internal control system and monitoring its work;
r) Issuing an opinion on the work plans and resources allocated to the Internal Audit and Compliance Divisions, and monitor its respective execution, being the recipient of the reports made by these Divisions, especially when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities and/or irregularities;
s) Analysing and commenting on the periodic reports drawn up by the internal control functions, in particular those related with situations of conflict of interest and reporting irregularities;
t) Issuing an opinion on the technical and professional adequacy of the candidates for the position of Head of the Internal Audit Division and of Compliance Officer of the Bank;
u) Receiving, handling and recording the communications of serious irregularities (whistleblowing) related with the management, accounting organization and internal supervision and of serious signs of infractions of duties provided for under the Legal Framework for Credit Institutions and Financial Companies, and the remaining Portuguese and European legislation in force, presented by shareholders, by the Bank's Employees or by other persons;
v) Issue an opinion on the internal service order that regulates the internal reporting of irregularities, to be approved by the Board of Directors.

C. Monitoring of the External Auditor and the Statutory Auditor

w) Propose to the General Shareholders Meeting, in case of an initial engagement, the appointment of, at least, two statutory auditors and eligible external auditors and issue a duly grounded recommendation as to which it prefers, in abidance by the applicable Portuguese and European legislation. In case of the re-appointment for a new term-of-office, the Committee can issue only one duly grounded proposal;
x) Issuing an opinion on the remuneration of the Statutory Auditor and of the External Auditor, and ensuring that both have all the conditions to exercise their functions;
y) Supervising and evaluating, on a yearly basis, the independence and performance of the External Auditor and of the Statutory Auditor;
z) Approve the tendering of services to the External Auditor for the provision of additional services, while guaranteeing that such services do not jeopardise its independence, in accordance with the national and European legislation and regulation;
aa) Receiving the additional services report drawn up by the External Auditor, in compliance with art. 11 of EU Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014.

D. Related parties

2. Beyond all the remaining competences and attributions conferred to it by the law, the articles of association or delegated by the Board of Directors, the Audit Committee shall also be responsible for:

a) Submitting an opinion to the Board of Directors on the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or with members of the management or supervisory bodies, directly or through third parties, provided that one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) the material engagement limit exceeds the total amount of €100.000/year per suppliers part of the same economic group or client group, for the same type of assets and services; and (iii) no special advantage is given to the party to the agreement in question;

b) Submitting an opinion to the Board of Directors on credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes amounting to over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and (iii) natural or legal persons related to either of the aforementioned persons.

E. Other competences

3. The Audit Committee shall submit a quarterly report to the Board of Directors, in writing, informing on the work carried out by it and on the conclusions it has reached and an annual report of its activities, to be presented to the Chairperson of the Board of Directors, notwithstanding the duty of reporting to it any and all situations the Committee finds and deems to be of high risk;

4. The Audit Committee may hire experts to assist one or more of its members in the performance of its functions being the respective costs paid for by the Bank.

III - Activities developed

In 2018, the Audit Committee had 13 meetings, and minutes of all meetings were drawn up. For invitation, the members of the Audit Commission also participated in meetings of the Risk Assessment Committee and the Executive Committee.

The Commission received timely and appropriate information from the Executive Board.

In carrying out its duties, the Committee met regularly with the Executive Director responsible for the Financial Area (CFO), the Executive Director responsible for the Risk Area, the Statutory Auditor and the External Auditor, the Risk Officer, the Compliance Officer, the Audit Officer Internal Affairs and the Head of Studies, Planning and ALM (DEPALM).

In addition, the Committee met with a number of other members of the Bank's Executive Committee during 2018, including its CEO and the Executive Director responsible for the Credit Area, and based on the prerogative of any Officer wishing to hear, met with those in charge of Accounting and Consolidation, Tax Advisory, Real Estate, Human Resources, Credit, Specialized Follow-up, Procurement and Means, and Treasury, Markets and International and with the Company Secretary.

As early as 2019 and in the period prior to the preparation of this Report, the Committee met with those responsible for the Accounting, Tax Advisory and Specialized Monitoring Departments.

In carrying out its duties, the Commission requested and obtained all relevant information and clarifications, which included, in particular, the appropriate verifications on compliance with the Statutes and the applicable legal and regulatory provisions, any constraint on their performance.

During the year of 2018, the Commission has developed, inter alia, the following activities:

Supervision of the preparation and disclosure of financial information

The Commission has assessed the main accounting policies adopted, particularly those reflected in the financial statements of the Bank and its subsidiaries.

Throughout the year, the Commission regularly monitored the Group's largest exposures to credit and impairment, as well as other impairments and provisions. Particular attention was paid to the Non Performing Exposures Reduction Plan (NPEs), and the Commission welcomed the reduction achieved until the end of 2018, which was above the targets announced to the market and regulators.

The accounting of deferred tax assets continued to receive particular attention from the Commission, as did the analysis of their recoverability studies. Also the implementation of the new accounting standards of IFRS 9, as of January 1, 2018, deserved particular attention on the part of the Audit Committee. In conjunction with the areas of the Bank most involved in this matter and with the CFO itself, the impacts of the implementation of IFRS 9 were analysed.

As early as January 2019, the new accounting standard IFRS 16 came into force, the introduction of which received special attention from the Audit Committee.

The Commission has analysed the information on the BCP Group Pension Fund and the actuarial assumptions used for the purpose of determining pension liabilities.

The valuation of real estate classified as non-current assets held for sale and through units of Real Estate Investment Funds in which the Bank holds majority ownership was another matter monitored by the Commission throughout the year.

On a monthly basis, the members of the Committee assessed the information on the financial statements, on an individual and consolidated basis, and the results and main financial indicators of Group companies. They also periodically analysed the Bank's liquidity, efficiency and solvency ratios.

In April 2018, and for the year 2017, the Commission issued an opinion on the Bank's Report and Accounts. As early as 2019, and in relation to 2018, the Commission assessed the Management Report and Accounts prepared by the Executive Committee and the Legal Certifications of the Accounts and Audit Reports of Deloitte & Associados - SROC, SA (Deloitte), on the financial statements financial statements, on an individual and consolidated basis, issued without reservations or emphasis.

The Commission confirmed that under the terms of article 420, paragraph 5, of the Portuguese Companies Code, the Corporate Governance Report, included in the Bank's Report and Accounts for the year 2018, contains the elements referred to in article 245-A of the Portuguese Securities Code.

Comissão de Auditoria

Banco Comercial Português, S.A.

Taking into account the results of the work carried out, the Committee issued a favourable opinion on the Management Report and the Bank Accounts, which include the financial statements, on an individual and consolidated basis, for the year ended December 31, 2018.

The Commission also assessed the Group's Budget for 2019, focusing on the assumptions used, the expected evolution of results and activity indicators, risk factors, market shares, investments and the evolution of own funds. In order to carry out this exercise, the Commission also took into account the prepared sensitivity analyzes, which presented a number of adverse scenarios. The Audit Committee noted an alignment between the 2019 Budget Proposal and the Bank's Strategic Plan 2018-2021, with respect to the following aspects: net income growth; operational costs; capital and liquidity requirements; and, finally, in the continuity of the bet in the reduction of NPEs.

Monitoring of international operations

During the year, the Commission regularly monitored the performance of its international operations, notably due to its size and relevance to the Group of Millennium Bank in Poland and Millennium bim in Mozambique. It also followed the activity of Banco Millennium Atlantico, an entity in which BCP holds 22.5% of the Capital. On a monthly basis, it followed the most relevant business indicators and financial statements of these operations and, where appropriate, analysed the main risks of each operation and country with the Executive Directors. In the case of Millennium bim, the Commission closely monitored the country's macroeconomic developments and the Bank's main credit exposures.

In the case of Bank Millennium in Poland, the Commission has followed the process of acquiring EuroBank, a transaction which will allow the Polish operation to diversify and increase its activity, with significant synergies and gains in market share.

Monitoring the effectiveness of risk management, internal control and internal audit systems

The Committee monitored the review of the internal control system, which included an analysis and evaluation carried out by Deloitte, a firm of external consultants specially contracted for this purpose since 2011. It also monitored the preparation of the internal control reports of the CA's responsibility. which have been contributed by the Risk Office, the Compliance Office and the Audit Department - and issued the opinions addressed to the Board on these reports, sent in June 2018 to the supervisory authorities.

Similarly, the Commission regularly monitored the implementation of the recommendations contained in the Internal Control Reports and the determinations relating to the Prevention of Money Laundering and the Financing of Terrorism.

It appreciated the activity developed by the Risk Office, namely that reflected in the monthly impairment reports and the evolution of the main risk indicators, which contain, in particular, information on credit, liquidity, market, operational, compliance and reputational risk.

It reviewed the Business Plan of the Audit Department for the year 2018, as well as the annual report of the activity carried out in 2017 and the quarterly activity reports for 2018. The Audit Officer informed the Commission on a monthly basis on the inspection actions carried out by supervisory bodies.

Also with respect to the Compliance Office, the Commission assessed its Activity Plan for 2018 and the annual activity report developed in 2017 and the quarterly reports for 2018.
The Commission kept up to date on the main legislative and regulatory changes and updated its Rules of Procedure.

The Commission regularly took note of the correspondence between the Bank and the supervisory authorities, requesting the Executive Board and the various areas of the bank further information and clarification where this was deemed necessary.

In the course of 2019, the Commission analysed the issue of Additional Tier 1, an operation that allowed the Bank to strengthen its total capital ratio.

Also in 2019, the Commission issued a favorable opinion for the hiring of the Group Head of Compliance.

Claims and Complaints

The Commission regularly took note of the information on the handling of customer claims and complaints by the Customer Ombudsman and the Directorate for Quality and Network Support. He also accompanied the complaints addressed to him under the channel "Reporting Irregularities - whistleblowing".

The Audit Committee approved the updating of the Internal Service Order OS0131 - Irregularities Reporting Regulation, which results from the new EBA guidelines and its impact on the Bank's internal and external whistleblowing policies and participation; as well as the updating of the Internal Service Order OS0016 - Concession, Monitoring and Recovery of Credit.

Renewal of the mandate of the Statutory Auditor and External Auditor

The Audit Committee conducted, within the scope of its powers, the process of renewal of the External Auditor and after receiving the technical and financial proposal for the renewal / contracting of Deloitte and ROC, and weighted the efficiency costs resulting from the change of ROC and External Auditor, the Committee decided, in compliance with the provisions of article 3 of Law no. 148/2015, of September 9, which will recommend to the shareholders the reappointment of Deloitte for a new mandate as Chartered Accountant and External Auditor, for the term of office at the date set forth in the Bank's articles of association.

Supervision of the activity of the Statutory Auditor and External Auditor

The Commission has analysed the conclusions of the audit of the financial statements for the year 2017, on an individual and consolidated basis, by the Statutory Auditor and by the External Auditor. Throughout 2018, it reviewed Desktop Review's findings for the first quarter and third quarter financial statements and the First Quarter and Limited Review financial statements. As early as 2019, it analysed the conclusions of the audit work on the financial statements for the year 2018, on an individual and consolidated basis, carried out by the Statutory Auditor and by the External Auditor.

With regard to other reports produced by the external auditors, the Commission analysed: (i) the report on the impairment of the loan portfolio by the end of 2018, and (ii) the reports on the Internal Control System.

The Commission considered the proposals for the award of additional services provided by the External Auditors and their compliance with the "Approval Policy for Services Provided by External Auditors". During the 2018 financial year, the Audit Committee revised the group code GR0022, which is in line with the policy of approving the services of external auditors. It has been published in the course of 2018.

The Commission supervised the independence of Deloitte as Official Auditor and External Auditor, continuing to evaluate its performance. Regarding the 2018 financial year, the Audit Committee concluded that Deloitte was independent and that its performance was positive overall, although there is room for improvement in the quality of the services rendered and in the communication and interaction of the external auditor with the bank. This conclusion was supported by a formal assessment of independence and performance, promoted by the Commission as early as 2019, which included, inter alia, special inquiries and Deloitte's confirmation of independence.

Comissão de Auditoria

Banco Comercial Português, S.A.

Merger Project to incorporate Sadamora and Enerparcela companies into the BCP group

The Audit Committee issued a favourable opinion on the merger of Sadamora - Investimentos Imobiliários, SA (Sadamora) and Enerparcela - Empreendimentos Imobiliários, SA (Enerparcela) into Banco Comercial Português, SA (BCP), underlining the greater efficiency in results by reducing the costs of a common structure, as well as the fact that the interests of the shareholders of the acquiring company, BCP, are not affected; since companies that were already wholly and wholly owned by the acquiring company were incorporated.

Capital reduction

The Audit Committee, as an independent oversight body, monitored the capital reduction process on November 5, 2018, and assuming that the Bank's ordinary course has been maintained, confirmed the existence of sufficient balances in the balance sheet items that will be the reduction of capital; whereas the reduction of the capital of the bank is intended to free funds and is therefore a nominal reduction of capital; that the company's net worth allows for a reduction, given that the new capital stock will exceed by at least 20%, as stipulated in the Commercial Companies Code.

Issuance of opinions on operations with members of corporate bodies and holders of more than 2% of the Bank's share capital

The Commission monitored the Bank's credit exposure to members of the Board of Directors and to holders of qualifying holdings and related entities, and has pronounced on fifteen credit operations submitted to the Board of Directors. It also ruled on a contract with an entity related to CA members and holders of qualifying holdings.

III - Thanks

The Commission expresses its thankfulness to the other Bodies and Services of the Bank, in particular to Dr. Ricardo Valadares, responsible for the CA Support Office, for all the collaboration, dedication and well performance of their duties during the financial year of 2018.

Lisbon, 10th April 2019

Cidália Mota Lopes (Acting Chairwoman)	Valter Barros (Member)

Wan Sin Long
(Member)

Opinion of the Audit Committee

OPINION OF THE AUDIT COMMITTEE
FOR THE FINANCIAL YEAR 2018

1. From statutory law, the Audit Committee has analysed the Management and Accounts Report of Banco Comercial Português, SA (Bank), on the individual and consolidated financial statements, for the year 2018, as well as the Additional Report prepared by the External Auditor, Deloitte & Associados - SROC, SA (Deloitte) issued without reservations or emphasis.

2. The Audit Committee has, as usual, monitored the preparation of the Management Report and Accounts, as well as the final version approved by the Executive Committee. In order to prepare this opinion, the Audit Committee has several meetings. In particular, meetings with the Executive Committee, the Administrator responsible for financial matters (CFO), and those responsible for the Bank's relevant areas, such as the Accounting and Consolidation Department, the Fiscal Department, The Audit Office, the Risk Office, the Compliance Office and the Director of Studies, Planning and ALM (DEPALM), the Secretary of the Company, as well as with the Statutory Auditor and External Auditor. The Audit Committee has requested all information and clarifications relevant to performance their duties, which included the judgments deemed appropriate and adequate regarding compliance with applicable legal and statutory rules.

3. The Audit Committee declare that, to the best of their knowledge, the financial information analysed has been prepared in accordance with the applicable accounting and financial standards, giving a true and fair opinion of the financial position and the results of the Bank and the group, and that the Management Report faithfully describes the evolution of the Bank's business, performance and position of the bank and of the companies included in its consolidation scope, containing a description of the main risks and uncertainties that face them.

Comissão de Auditoria
Banco Comercial Português, S.A.

4. The Legal Certificates of Accounts and Audit Reports, prepared in accordance with the formats resulting from Regulation No. 537/2014 of April 16 and Law 140/2015 of September 7, include referred to as "Relevant Auditing Matters", which, in the case of the Bank, Deloitte has been defined as:

a. The impairment for credit;
b. Recoverability of deferred tax assets;
c. Responsibilities with the Pension Fund;
d. Non-current assets held for sale;
e. Resolution Fund;
f. Other relevant matters.

The “Relevant Auditing Matters” and the others relevant matters, which include exposure to risk Mozambique, the evolution of exposure to the Restructuring Funds, and exposure in Swiss francs in Poland, were monitored throughout the year by the Audit Committee, which was kept updated by the Executive Committee as well as by the relevant areas of the Bank and by the External Auditors.

5. As a result, the Audit Committee agrees with the content of the Legal Certifications of Accounts and Audit Reports prepared by Deloitte, and gives a favorable opinion to the Bank's Management and Accounts Report, which includes the financial statements, based on individual and consolidated, for the year ended December 31, 2018, approved on April 23, 2019 by the Board of Directors, which includes the members of the Audit Committee.

6. Therefore, the Audit Committee gives the opinion to the General Meeting of Banco Comercial Português, S.A., in order to approve:

a) The Management Report and other individual and consolidated financial statements for the year of 2018;

b) The proposal of the Board of Directors in order to transfer the positive net income achieved, in the individual balance, for the year 2018, in the amount of EUR 59 266 674.99 and the reserve for the stabilization of dividends in the amount of EUR 30 000 000.00 , in this way:

5,926,667.50 euros to strengthen the Legal Reserve;

30,227,979.90 euros for atribution of dividends, corresponding 227,979.90 euros to results and 30,000,000.00 euros to the reserve for stabilization of dividends;

12,587,009.00 euros for distribution by employees;

40,525,018.59 euros, that is, the remainder, for Retained Earnings.

Lisbon, 23rd April 2019

Cidália Mota Lopes (Acting Chairwoman)	Valter Barros (Member)
Wan Sin Long (Member)	

External Auditors' Report

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2018 (that presents a total of 75,923,049 t.euros and total consolidated equity of 6,963,906 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 301,065 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at December 31, 2018 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and Provisions for guarantees and other commitments (Notes 1.C, Z6.2, 10, 13, 21, 39, 55 – Credit Risk and 59)	
The accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded by the Group as at 31 December 2018 amount to 2,851,906 t.euros and 187,710 t.euros, respectively. The adoption of IFRS 9 - "Financial instruments" by the Group with reference to 1 January 2018, replacing IAS 39, implied an increase in the judgmental component of the determination of impairment losses for credit risk, changing the concept of incurred losses to the concept of expected losses and introducing new relevant parameters for the calculation of impairment losses, such as the classification of loans to customers in stages and the evaluation of the existence of significant increase in credit risk since the initial recognition. Impairment losses for credit risk represent the best estimate of the Management of the Bank and its subsidiaries of the expected losses on its credit portfolio at the reference date of the financial statements. These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attribute and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements.	• Analysis of the relevant control activities implemented by the Group in the process of identification and determination of impairment losses for the loans' portfolio. • Analysis of the impact of the initial application of IFRS 9 with reference to 1 January 2018 on the impairment losses for credit risk, including the reasonableness of the methodologies implemented by the Group considering the requirements of that standard and the review of the transition adjustment recorded in the financial statements. • Selection of a sample of clients subject to individual impairment analysis by the Bank and its subsidiaries, which included exposures that presented higher risk characteristics as well as randomly selected exposures. • For the selected sample, analysis of the reasonableness of the estimated impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank and its subsidiaries about the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Impairment for financial assets at amortised cost – loans to customers and Provisions for guarantees and other commitments (Notes 1.C, Z6.2, 10, 13, 21, 39, 55 – Credit Risk and 59)</td></tr>
<tr><td>The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the amount that the Group expects to recover from the loan, that incorporates also assumptions about future events that may not occur as expected and reflects the Management’s intentions at each moment regarding management and future hold of the loans.

Impairment losses for credit risk determined under collective analysis are based on a model with a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely characteristics of operations, the value of collaterals, classification of loans to customers in stages and risk parameters, such as the probability of default and loss given default.

Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, and may have a material impact on the determination of impairment.</td><td>• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and of the value of collaterals considered in the determination of impairment losses for credit risk.

• Review of the disclosures included in the consolidated financial statements related to these matters, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Recoverability of deferred tax assets (Notes 1.T), 1.Z.3) and 31)	
As at 31 December 2018 the balance of deferred tax assets amounts to 2.916,630 t.euros, of which 1,106,733 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including: • 749,700 t.euros related to impairment losses; and • 328,229 t.euros resulting from tax losses carried forward (essentially related to the non-consolidated activity of the Bank and originated mainly in 2016). According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2016 have a 12-year reporting period (i.e. up to 2028). In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its taxable income for the period between 2019 and 2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profits and on its interpretation of the tax legislation. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results. Eventual deviations from estimated future results or changes in the assumptions used in its determination, as well as changes on tax legislation or in its interpretation, may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits in the period between 2019 and 2028. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits. • Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor’s response to the most significant risks of material misstatement identified**
Liabilities with retirement pensions - Main actuarial assumptions (Notes 1.S, 1.Z.5 and 51)	
The Group has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As at 31 December 2018, the liabilities of the Group for past services with retirement pensions and other associated benefits amount to 3,065,723 t.euros. The Group’s liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rates of wages and pensions and the mortality tables. Eventual changes in actuarial assumptions may have a material impact on past service pension liabilities.	• Analysis of the relevant control activities implemented by the Group in determining the main actuarial assumptions used in the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority (“Autoridade de Supervisão de Seguros e Fundos de Pensões” (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2018 sent to ASF. • Reading of the actuarial study with reference to 31 December 2018 and discussion with the responsible actuary on the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Valuation of properties classified as non-current assets held for sale (Notes 1.H, 1.Z.4, 27 and 55 – Credit Risk)	
As at 31 December 2018 the net book value of properties classified as non-current assets held for sale amount to 1,710,763 t.euros, which are recorded at the lowest between book value and fair value less costs to sell, in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. The valuation of these assets, and consequently the impairment losses, recorded in the Group accounts as at 31 December 2018 is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and expectations regarding the development of real estate projects when applicable, and also considers the intentions of Management regarding the commercialization of these assets. The assumptions used in the appraisals of these properties have an impact on its valuation and therefore on the determination of impairment.	• Analysis of the relevant control activities implemented by the Group in the process of valuing properties classified as non-current assets held for sale. • Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis of the reasonableness of the valuation recorded in the consolidated accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, meetings held with the external appraisers, as applicable, and understanding of the strategy defined by the Group for those assets. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Resolution Fund (Note 57)</td></tr>
<tr><td>As described in more detail in Note 57, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif) as at 31 December 2018 the Resolution Fund held 25% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A..

In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star.

To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and from the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order 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 sufficient own resources for the fulfilment of its obligations. According to the latest available Annual Report from the Resolution Fund, the own resources of the Resolution Fund as at 31 December 2017 were negative.

The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies.</td><td>• Analysis of the public announcements released by the Resolution Fund in 2016, 2017 and 2018 and in 2019 up to the date of our report.

• Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to make available to the Resolution Fund the financial resources, if and when necessary, for the fulfilment of contractual obligations that may arise from the sale of the 75% of the share capital of Novo Banco to Lone Star.

• Analysis of the framework agreement established between the Portuguese State and the Resolution Fund.

• Reading of the latest available Report and Accounts from the Resolution Fund, which refers to the year of 2017.

• Review of the accounting framework of the contributions to the Resolution Fund.

• Review of the disclosures included in the consolidated financial statements related to this matter.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor’s response to the most significant risks of material misstatement identified
Resolution Fund (Note 57)	
The consolidated financial statements as at 31 December 2018 reflect the Management’s expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established in connection with the renegotiation in March 2017 of the loans obtained by the Resolution Fund to finance the resolution measures, including the extension of the maturity date up to 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

Responsibilities of Management and Supervisory Body for the consolidated financial statements

The Management of the Bank is responsible for:

- the preparation of consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the Management report and of the corporate governance report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the consolidated financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), as well as the verification that a non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material aspects, the Management report was prepared in accordance with the current applicable law and regulations, the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the non-financial statement provided for in article 508-G of the Portuguese Commercial Code

In compliance with article 451, number 6, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Group included in the management report the non-financial statement provided for in article 508-G of the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Group during the execution of the audit.

Lisbon, April 23, 2019

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("Bank"), which comprise the separate balance sheet as at 31 December 2018 (that presents a total of 55,350,167 t.euros and total equity of 5,591,163 t.euros, including a net profit of 59,267 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at December 31, 2018 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and Provisions for guarantees and other commitments (Notes 1.B1, 1.Y4, 10, 13, 19, 36, 49 – Credit Risk and 52)	
The accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded by the Bank as at 31 December 2018 amount to 2,293,486 t.euros and 163,363 t.euros, respectively. The adoption of IFRS 9 - "Financial instruments" by the Bank with reference to 1 January 2018, replacing IAS 39, implied an increase in the judgmental component of the determination of impairment losses for credit risk, changing the concept of incurred losses to the concept of expected losses and introducing new relevant parameters for the calculation of impairment losses, such as the classification of loans to customers in stages and the evaluation of the existence of significant increase in credit risk since the initial recognition. Impairment losses for credit risk represent the best estimate of the Management of the Bank of the expected losses on its credit portfolio at the reference date of the financial statements. These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for the loans' portfolio. • Analysis of the impact of the initial application of IFRS 9 with reference to 1 January 2018 on the impairment losses for credit risk, including the reasonableness of the methodology implemented by the Bank considering the requirements of that standard and the review of the transition adjustment recorded in the financial statements. • Selection of a sample of clients subject to individual impairment analysis by the Bank, which included exposures that presented higher risk characteristics as well as randomly selected exposures. • For the selected sample, analysis of the reasonableness of the estimated impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank about the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and Provisions for guarantees and other commitments (Notes 1.B1, 1.Y4, 10, 13, 19, 36, 49 – Credit Risk and 52)	
The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the amount that the Bank expects to recover from the loan, that incorporates also assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans. Impairment losses for credit risk determined under collective analysis are based on a model with a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely characteristics of operations, the value of collaterals, classification of loans to customers in stages and risk parameters, such as the probability of default and loss given default. Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, and may have a material impact on the determination of impairment.	Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and of the value of collaterals considered in the determination of impairment losses for credit risk. • Review of the disclosures included in the separate financial statements related to these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor’s response to the most significant risks of material misstatement identified
Recoverability of deferred tax assets (Notes 1.T, 1.Y.1 and 28)	
As at 31 December 2018 the balance of deferred tax assets amounts to 2,782,536 t.euros, of which 1,021,882 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including: • 659,238 t.euros related to impairment losses; and • 319,768 t.euros resulting from tax losses carried forward originated mainly in 2016. According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2016 have a 12-year reporting period (i.e. up to 2028). In accordance with IAS 12 - Income taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its taxable income for the period between 2019 and 2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profits and on its interpretation of the tax legislation. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results. Eventual deviations from estimated future results or changes in the assumptions used in its determination, as well as changes on tax legislation or in its interpretation may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits in the period between 2019 and 2028. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits. • Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Liabilities with retirement pensions - Main actuarial assumptions (Notes 1.S, 1.Y3 and 46)	
The Bank has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As at 31 December 2018, the liabilities of the Bank for past services with retirement pensions and other associated benefits amount to 3,040,405 t.euros. The Bank's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rates of wages and pensions and the mortality tables. Eventual changes in actuarial assumptions may have a material impact on past service pension liabilities.	• Analysis of the relevant control activities implemented by the Bank in determining the main actuarial assumptions used in the calculation of liabilities with past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2018 sent to ASF. • Reading of the actuarial study with reference to 31 December 2018 and discussion with the responsible actuary on the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the separate financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale and properties held through real estate investment funds in which the Bank owns the majority of the fund units (Notes 1.B1.1.3, 1.H, 1.Y.2, 21, 25 and 49 – Credit Risk)</td></tr>
<tr><td>As at 31 December 2018 the caption Non-current assets held for sale include 1,146,138 t.euros of properties held directly by the Bank and 76,141 t.euros of investments in real estate companies which main assets are properties. In addition, the caption Financial assets not held for trading mandatorily at fair value through profit or loss include 452,090 t.euros of real estate investment funds in which the Bank owns the majority of the units.

These assets are recorded in accordance with applicable accounting standards (IFRS 5 for non-current assets held for sale and IFRS 9 for financial assets not held for trading mandatorily at fair value through profit or loss).

The valuation of these assets, and consequently the impairment losses, recorded in the Bank accounts as at 31 December 2018 is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and expectations regarding the development of real estate projects when applicable, and also considers the intentions of Management regarding the commercialization of these assets. In addition, the valuation of the units in the real estate investment funds was based on the most up-to-date information that Management has available regarding the corresponding Net Asset Value, which depends on the funds' properties appraisals carried out by independent external appraisers.

The assumptions used in the appraisals of these properties have an impact on its valuation and therefore on the determination of impairment losses.</td><td>• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale and properties held through real estate investment funds in which the Bank owns the majority of the units.

• Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence.

• Analysis of the reasonableness of the valuation recorded in the separate accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, meetings held with the external appraisers, as applicable, and understanding of the strategy defined by the Bank for those assets.

• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 50)	
As described in more detail in Note 50, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif) as at 31 December 2018 the Resolution Fund held 25% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A.. In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star. To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and from the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order 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 sufficient own resources for the fulfilment of its obligations. According to the latest available Annual Report from the Resolution Fund, the own resources of the Resolution Fund as at 31 December 2017 were negative. The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies.	• Analysis of the public announcements released by the Resolution Fund in 2016, 2017 and 2018 and in 2019 up to the date of our report. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on October 2, 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to make available to the Resolution Fund the financial resources, if and when necessary, for the fulfilment of contractual obligations that may arise from the sale of the 75% of the share capital of Novo Banco to Lone Star. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Reading of the latest available Report and Accounts from the Resolution Fund, which refers to the year of 2017. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the separate financial statements related to this matter.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Resolution Fund (Note 50)	
The financial statements as at 31 December 2018 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established in connection with the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance the resolution measures, including the extension of the maturity date to 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

Other matters

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the non-consolidated level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.G, financial investments in subsidiaries and associates are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is given in Notes 24 and 53.

Responsibilities of Management and Supervisory Body for the separate financial statements

The Management is responsible for:

- the preparation of separate financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Bank in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the management report and of the corporate governance report, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system to allow the preparation of separate financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Bank's financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;
- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;
- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the separate financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), as well as verification that the non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material aspects, the Management report was prepared in accordance with the current applicable law and regulations, and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), this conclusion is not applicable to the non-financial statement included in the management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the non-financial statement provided for in article 66-B of the Portuguese Commercial Code

In compliance with article 451, number 6 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Bank included in the management report the non-financial statement provided for in article 66-B of the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018.
- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Supervisory Body of the Bank on this same date.

We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Bank during the execution of the audit.

Lisbon, April 23, 2019

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

Independent Limited Assurance Report

(Free translation from the original in Portuguese)

To the Board of Directors

Introduction

1 We were engaged by the Board of Directors of Banco Comercial Português, S.A. ("Millennium bcp" or "Company") to perform a limited assurance engagement on the sustainability information, associated with GRI Standards indicators, included in the Annual Report 2018, in particular in the Chapter "Non-financial statement", for the year ended in December 31, 2018, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities

2 It is the responsibility of the Board of Directors to prepare the sustainability information, associated with GRI Standards indicators, included in the Annual Report 2018, in accordance with the sustainability reporting guidelines "Global Reporting Initiative" ("GRI"), GRI Standards version, and with the instructions and criteria disclosed in the Annual Report 2018, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

3 Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4 The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information, associated with GRI Standards indicators, is free from material misstatement.

5 Our limited assurance engagement also consisted in carrying out procedures with the objective of obtaining a limited level of assurance as to whether the Company applied, in the sustainability information included in the Annual Report 2018, the GRI Standards guidelines.

6 For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;

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(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
(vi) Comparison of financial and economic data included in the sustainability information with the audited by the external auditor, in the scope of the legal review of Company's financial statements for the year ended in December 31, 2018;
(vii) Verification that the sustainability information included in the Report complies with the requirements of GRI Guidelines, GRI Standards version.

7 The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

8 We believe that the procedures performed provide an acceptable basis for our conclusion

Quality control and independence

9 We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

10 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion

11 Based on the work performed, nothing has come to our attention that causes us to believe that the sustainability information, associated with GRI Standards indicators, included in the Annual Report 2018, in particular in the Chapter "Non-financial statement", for the year ended in December 31, 2018, was not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Report and that Millennium bcp has not applied, in the sustainability information included in the Annual Report 2018, the GRI Standards guidelines.

Restriction on use

12 This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating the sustainability information in the Annual Report 2018, and should not be used for any other purpose. We will not assume any responsibility to third parties other than Millennium bcp by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report 2018.

April 26, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Brochado Correia, R.O.C.

(This is a translation, not to be signed)

Corporate Governance Report

Introduction

Banco Comercial Português, S.A., (hereinafter referred to as "Company, Bank, BCP, Millennium bcp") structured this Corporate Governance Report regarding the financial year of 2018, in compliance with the guidelines set forth by CMVM Circular - "Supervision of the recommendation regime of the Corporate Governance - new rules and procedures for 2019", of 11 January 2019 - and made it in accordance with the Annex to the Regulation of CMVM nr. 4/2013 of 1 August 2013 and the Corporate Governance Code of IPCG – Instituto Português de Corporate Governance, which entered into effect on 1 January 2018, having also taken into consideration the legislation in force, namely the Legal Framework for Credit Institutions and Financial Companies (LFCIFC), the Securities Code (SC), the Companies Code, Law nr. 62/2017 of 1 August, the Regulation from CMVM nr. 7/2018, the guidelines from the European Bank Association EBA/GL/2017/11, EBA/GL/2017/12, both from 26 September 2017 and EBA/GL/2015/22, 27/06/2016, and the Regulation (EU) nr. 596/2014 of 16 April 2014.

During the process for the replacement and transition of the CMVM Corporate Governance Code into a self-regulation model of the corporate governance recommendation regime represented by the Companies Corporate Code issued by IPCG-Instituto Português de Corporate Governance, the Bank voluntary adhered to this Code which, similar to the precedent one does not present a mandatory nature, being based on principles and recommendations and also on the comply or explain rule.

This Report is composed of two parts:

Part I – regarding table I - Items 1 to 92 of the Annex to the Regulation of CMVM nr. 4/2013 on information on the shareholding structure, organization and company governance;

and,

Part II - regarding table II - Evaluation of the Corporate Governance - including the declaration of compliance with the Corporate Governance Code of IPCG and provision of additional information comprising an index referring to the contents of Part I.

Table Regarding Part I

Attachment 1 to the CMVM's Regulation nr 4/2013	Correspondence in the Corporate Governance Code of the Instituto Português de Corporate Governance (IPCG)
A. SHAREHOLDER STRUCTURE	
I. Capital Structure	
1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (article 245-A/1/a).	No match
2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b).	No match
3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a).	No match
4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j).	Match in Recommendation II.6.
5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.	Partial match as nr. 5 is broader than Recommendation II.5.
6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g).	No match

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II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/c & d and Article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution.	No match
8. Indication of the number of shares and bonds held by members of the management and supervisory bodies. (NOTE: the information must be provided in order to comply with the provisions of Article 447/5 of the Companies Code)	No match
9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned.	No match
10. Significant business relations between holders of qualifying stakes and the company.	No match

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting (throughout the reference year)

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end).	No match

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f).	Match in Recommendation II.1.
13. Indication of the maximum percentage of voting rights that can be exercised by a single shareholder or by shareholders related to the former in any manner described in number 1 of article 20	Indirect match in Recommendation II.5.

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14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority.	Indirect match in recommendation II.2,

II. MANAGEMENT AND SUPERVISION

(Board of Directors, Executive Board of Directors and General and Supervisory Board)

a) Composition (throughout the reference year)

15. Identification of the endorsed governance model.	No match
16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h)).	Partial match in Recommendation I.2.1.
17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member.	No match
18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board	Recommendations III.2. and III.3.
18.1. The independence of the members of the Supervisory Board and members of the Audit Committee is appraised pursuant to the legislation in force. Regarding the other members of the Board of Directors, an independent person is considered a person who is neither associated to any specific group of interests in the company of the Bank, or under any circumstance capable of influencing the impartiality of his analysis or decision making, namely as a result of:	Recommendation III.4.
18.1.a. Having been an employee of the company over the last three years or of a company which is in a controlling or group relationship;	Recommendation III.4.ii.
18.1.b. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;	Recommendation III.4.iii.
18.1.c. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a Board Member;	Recommendation III.4.iv.

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18.1.d. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes;	Recommendation III.4.v.
18.1.e. Being the holder of a qualifying stake or representative of a shareholder with qualifying stake.	Recommendation III.4.vi.
19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, The Supervisory Board and of the Executive Board of Directors.	Recommendation I.2.1
20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.	Partial match in Recommendation III.4. (Attachment mentions commercial or professional relations and the CGC mentions family relations in paragraphs ii) and iii) .
21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management	1st part: no match. There is a match in the 2nd part regarding the delegation of powers (IV.2.)
b) Functioning	
22. Existence and local where it may be consulted the regulations, as applicable, of the Board of Directors, the Supervisory Board and of the Executive Board of Directors.	Recommendations I.2.2. and I.2.3.
23. Number of meeting held and degree of assiduity of each member, as applicable, of the Board of Directors, the Supervisory Board and the Executive Board of Directors, in the meetings held.	Recommendation I.2.4.
24. Details of competent corporate boards undertaking the performance appraisal of executive directors.	Recommendations V.1.1. and V.1.2.
25. Predefined criteria for the assessing of the performance of the executive directors.	Recommendations V.1.1. and V.1.2.
26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year.	Indirect match in Recommendation I.2.1

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c) Committees of the Board of Directors or of the supervisory body and delegated directors	
27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available.	Recommendations III.9. and I.2.2.
28. Composition of the executive Board and/or details of the board delegate/s, where applicable.	No direct match The recommendations IV.1. and IV.2. referring to the Delegation of powers do not require the identification of the members of the Executive Committee and/or delegated directors.
29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers.	Partial match in Recommendation III.9.
III. SUPERVISION (Board of Auditors, Audit Committee or Supervisory Board)	
a) Composition (throughout the reference year)	
30. Identification of the supervisory body matching the adopted model	No match
31. Composition, as applicable, of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee, with the indication of the minimum and maximum statutory numbers, statutory duration of the mandate, number of permanent members, date of the first designation and date of each member's the end of mandate, being allowed a remittance to an item of the report where that information is already disclosed due to the provided in nr 17.	No match
32. Indication, as applicable, of the members of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee that are considered to be independent, as provided for in Article 414/5 of the Companies Code, being allowed a remittance to an item of the report where that information is already disclosed due to the provided in nr. 18.	No match
33. Indication, as applicable, of the members of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee that are considered to be independent, as provided for in Article 414/5 of the Companies Code, being allowed a remittance to an item of the report where that information is already disclosed due to the provided in nr. 21.	Recommendation I.2.1

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b) Functioning	
34. Availability and place where the rules on the functioning of the Board of Auditors, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears due to the provided in nr. 22.	Recommendations I.2.2. and I.2.3.
35. Availability and place where the rules on the functioning of the Board of Auditors, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the Report where said information already appears due to the provided in nr. 23.	Recommendation I.2.4.
36. The availability of each member of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee, as applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year, being allowed a remittance to an item of the report where that information is already disclosed due to the provided in nr. 26.	No direct match, in recommendation I.2.1. (includes the availability among the criteria for the evaluation of the members of the corporate bodies).
c) Competence and duties	
37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.	Recommendation III.12
38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee.	Recommendations I.5.1., III.7., III.8., III.11., III.12., V.1.2., VII.1.1., VII.2.1., VII.2.5.
39. Identification of the statutory auditor and its representative partner statutory auditor.	No match
IV. STATUTORY AUDITOR	
40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group.	No match
41. Description of other services rendered by the statutory auditor to the company.	No match
42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number.	No match

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43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group.	No match
44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties.	No match
45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out.	No match
46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment.	No match
47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)	No match

C. INTERNAL ORGANISATION

I. Articles of Association

48. Regras applicable to the amendment of the articles of association (Article 245-A/1/h).	No match

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company.	Recommendation I.2.5.

III. Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems.	Correspondence in Recommendations III.10., III.11. and III.12.
51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company.	No match

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52. Other functional areas responsible for risk control.	No match
53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity.	Recommendation VI.2.al.i)
54. Description of the procedure for identification, assessment, monitoring, control and risk management.	Recommendations VI.1. to VI.3.
55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information (Article 245-A/1/m)	No match
IV. Investor Support	
56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details.	Partial match in Recommendation I.1.1.
57. Market Liaison Officer.	Partial match in Recommendation I.1.1.
58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years.	Partial match in Recommendation I.1.1.
V. Website	
59. Address(es)	No match
60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available.	No match
61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available.	Recommendation I.2.3
62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details.	No match
63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements.	No match

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64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.	No match
65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available	No match
D. REMUNERATIONS	
I. Competence for determination	
66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company.	Recommendation V.2.1.
II. THE REMUNERATIONS COMMISSION	
67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor.	Correspondence in Recommendations I.2.4., V.2.1. and V.2.6.
68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee.	No match
III. Structure of remunerations	
69. Description of the remuneration policy for the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June.	Recommendation V.2.3.
70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking.	Recommendations V.2.3., par. i), and V.3.1.
71. Reference, where applicable, to there being a variable remuneration component and information on any potential impact of the performance appraisal on this component.	Recommendations V.2.3., par. i), and V.3.1.
72. The deferred payment of the remuneration’s variable component and specify the relevant deferral period.	Recommendation V.2.3.

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73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value	Recommendations V.2.3., par. iii), and V.3.4.
74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price.	Recommendations V.2.3., par. iii), and V.3.4.
75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits	No immediate match, but as stated in the Recommendation V.2.3., par. i)
76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis.	No match

IV. Disclosure of remunerations

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same.	Recommendation V.2.3., par. i)
78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.	Recommendation V.2.3., par. ii)
79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.	No match but as stated in the Recommendation V.2.3., par. i)
80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.	Recommendations V.2.3., par. vi), and V.2.4.
81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June.	Recommendation V.2.3.
82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting.	No match

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V. Agreements with remunerative implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.	Recommendation V.3.5.
84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid. (Article 245-A/1/l)) (article 245-A/1/l))	Without direct correspondence, but in accordance with Recommendation V.3.5.

VI. Plans for the attribution of shares or stock options

85. Details of the plan and the number of persons included therein.	Recommendation V.2.3., par. iii)
86. Characterization of the plan (share-assignment conditions, non-transfer of share clauses, criteria on share-pricing and the exercising of options, period during which the options may be exercised, characteristics of the shares or options to be distributed, the existence of incentives to purchase of shares and/or exercise options).	Recommendation V.2.3., par. iii)
87. Option rights granted for the acquisition of stock (stock options) of which the workers and employees of the company are beneficiaries.	No match
88. Control mechanisms envisaged in possible employee-participation schemes in capital to the extent that voting rights are not exercised directly by them (art. 245-A/1/l).	No match

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties (For this purpose, see the concept emerging from IAS 24).	Recommendations I.5.1. and I.5.2.

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90. Details of transactions that were subject to control in the referred year.	No match, but as stated in Recommendations I.5.1. and I.5.2.
91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.	Recommendations I.5.1. and I.5.2.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data.	No match.

Table Regarding Part II

Principles of the Corporate Governance Code of the Instituto Português de Corporate Governance (IPCG)	Recommendations of the Corporate Governance Code of the Instituto Português de Corporate Governance (IPCG)	Declaration of Compliance	Refer to Attachment 1 to the CMVM's Regulation nr 4/2013
Chapter I – GENERAL PART			
I.1. Company's Investor Relations and Information			
Principle	**Recommendation:**		
Companies and, in particular, their directors must treat shareholders and other investors in an fair manner, ensuring, in particular, mechanisms and procedures for the appropriate treatment and disclosure of information.	I.1.1. The company must create mechanisms able of ensuring, in a strict and appropriate manner, the production, processing and the timely disclosure of information to its corporate bodies, investors and remaining stakeholders, the financial analysts and to the market in general.	Compliant	Items: 56., 57. and 58.
I.2. Diversity in the composition and functioning of the corporate bodies			
Principles:	**Recommendations:**		
I.2.A The companies must ensure diversity in the composition of the respective corporate bodies and the adoption of individual merit criteria in the respective appointment processes, which pertain exclusively to the shareholders.	I.2.1. The companies must establish criteria and requirements regarding the profile of new members of the corporate bodies which suit the function to perform. Thus, in addition to individual attributes (such as competence, independence, integrity, availability and experience), those profiles must consider diversity requirements, notably gender, which may contribute to improve the performance of the corporate body and to the achievement of a balanced composition.	Compliant	Items: 16.17.,19.,26. and 33.
I.2.B The companies must have straightforward and transparent decision-making structures and ensure maximum efficiency in the functioning of its corporate bodies and commissions.	I.2.2. The management and supervision bodies and their internal commissions must obey to internal regulations – namely on the exercise of the respective attributions, chairmanship, periodicity of meetings, functioning and duties of their members - and detailed minutes of the respective meetings must be written-up.	Compliant	Items: 22., 27. and 34.

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	I.2.3. The internal regulations of the management and supervision bodies and of their internal commissions must be fully disclosed on the company's website.	Compliant	Items: 22., 34. and 61.
	I.2.4. The composition, the number of annual meetings of the management and supervision bodies and of its internal commissions must be disclosed through the company's website.	Compliant	Items: 21. Audit Committee and 21. Executive Committee, 23., 27., 35. and 67.
	I.2.5. The Company's regulations must safeguard the existence and operation of mechanisms for the detection and prevention of irregularities, as well as the adoption of a policy on communication of irregularities (whistleblowing), which guarantees adequate means for its communication and treatment, safeguarding the confidentiality of the given information and the identity of the notifier, whenever requested.	Compliant	Item: 49.

I.3. Relation between corporate bodies

Principle	Recommendations:		
Members of the corporate bodies, above all the Directors, should create the conditions so that, as far as each body's responsibilities are concerned, they can ensure that weighted and efficient measures are taken, and that the various corporate bodies act in a harmonious, articulated way and with adequate information to the exercise of their functions.	I.3.1. The articles or other equivalent means adopted by the company must establish mechanisms to ensure that, within the limits of applicable legislation, members of the management and supervisory body are allowed to permanently access all information and employees of the company for performance assessment, status and prospects for the development of the company, including, in particular, the minutes, supporting documentation of decisions that were made, call notices and filing meetings of the executive management body, without prejudice of access to any other documents or persons to whom clarifications may be requested.	Compliant	Item: 22.
	I.3.2. Each body and committee of the company must ensure, in a timely and adequate manner, the flow of information, from the respective call notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.	Compliant	Item: 22.

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I.4. Conflicts of interest

Principle	Recommendations:		
Existing or potential conflicts of interest between members of corporate bodies or committees and the company, should be prevented. It must be ensured that the member in conflict does not interfere in the decision-making process.	I.4.1. An obligation should be put on members of corporate bodies and committees to inform, in a timely manner, their respective body or committee of the facts that may constitute or give cause to a conflict between their interests and the company's interest.	Compliant	Items: 20.,89.,90. and 91.
	I.4.2. Procedures should be adopted to ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, the committee or its members.	Compliant	Item: 20.

I.5. Transactions with related parties

Principle	Recommendations:		
Due to the potential risks involved, transactions with related parties must be justified by the interests of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.	I.5.1. The management body should define, with binding prior opinion of the supervisory body, the type, scope and minimum value, individual or aggregate, of the transactions with the related parties that: (i) require the prior approval of the management body; (ii) and those that, because they are of a higher value, also require a prior favourable opinion from the supervisory body.	Compliant	Items: 37., 89.,90. and 91.
	I.5.2. The management body should, every six months, report to the supervisory board all the businesses covered by Recommendation I.5.1.	Compliant	Items: 89., 90. and 91.

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Chapter II – SHAREHOLDERS AND GENERAL MEETING

Principles:	Recommendations:		
II.A The proper involvement of shareholders in corporate governance is a positive factor of corporate governance, as an instrument for the efficient performance of the company and for achieving the social purpose. II.B The company should promote the personal participation of the shareholders in General Meetings, as space of communication of the shareholders with the corporate bodies and committees and of reflection about the company.	II.1. The company should not set an excessively large number of shares necessary to give the right to a vote, and should state in the governance report its option whenever it implies a deviation from the principle that each share corresponds to one vote.	Compliant	Item: 12.
	II.2. The company should not adopt mechanisms that hinder the adoption of resolutions by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Not accepted but explained	Items: 12 and 14
II.C. The company should also allow the participation of shareholders in the General Meeting using electronic means, postal ballot and, in particular, electronic vote, unless, because of the associated costs, it becomes disproportionate.	II.3. The company must implement adequate resources to exercise the right to use correspondence vote, including by electronic means.	Compliant	Item: 12. (First part)
	II.4. The company must implement adequate means for the participation of shareholders in the meeting by telematic means.	Non Compliant but explained, in the text of its Recommendation	
	II.5. Articles of association of companies which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Compliant	Items: 5 and 13
	II.6. Measures should not be adopted if they determine payments or the incurrence of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of Directors.	Compliant	Item: 4.

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Chapter III - NON-EXECUTIVE MANAGEMENT AND SUPERVISION

Principles:	Recommendations:		
III.A. The members of corporate bodies with functions of non-executive management and supervision must exercise, in an effective and judicious manner, a supervisory and defiant function in relation to the executive management for the full accomplishment of the social purpose, and this action must be complemented by committees in central areas of corporate governance.	III.1. Without damaging the legal functions of the chairperson of the Board of Directors , if he/she is not independent, the independent directors must appoint amongst them a coordinator (lead independent director) to, namely: (i) act , whenever necessary, as interlocutor with the chairperson of the board of directors and with the remaining directors; (ii) endeavour that they all have the conditions and means necessary for the exercise of their functions; and (iii) coordinate them in the assessment of the performance by the administration body as foreseen in recommendation V.1.1.	Non Compliant but explained, in the text of its Recommendation	
III.B. The composition of the auditing and supervisory body and all non-executive directors should provide the company with a balanced and adequate diversity of skills, knowledge and professional experience.	III.2. The number of non-executive members of the administrative body as well as the number of members of the supervisory board and the number of members of the Financial Matters Committee should be compatible with the size of the company and the complexity of the inherent risks of its activity, but sufficient to ensure that they can efficiently carry out the tasks entrusted to them.	Compliant	Item: 18.
III.C. The supervisory body should develop a permanent supervision of the company's management, also with a preventive goal, accompanying the activity of the company and, in particular, decisions of paramount importance for the company.	III.3. In any case, the number of non-executive directors must exceed that of executive directors.	Compliant	Item: 18.
	III.4. Each company must include a number not less than one-third but always plural, of non-executive directors who meet the requirements of independence. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to:	Compliant	Item: 18.
	i. Having exercised more than twelve years, consecutive, or not, functions in any corporate body of the company;	Not applicable	Item: 18.1.g. In Recommendation III.4.

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	ii. Being an employee of the company over the last three years or a company which is in a controlling or group relationship;	Compliant	Item: 18.1.a.
	iii. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;	Compliant	Item 18.1 b)
	iv. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a director;	Compliant	Item: 18.1.c.
	V. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes;	Compliant	Item: 18.1.d.
	vi. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.	Compliant	Item: 18.1.e.
	III.5. The provisions of paragraph (i) of recommendation III.4 shall not preclude the qualification of a new director as independent if, between the termination of his duties in any company body and his new designation, at least three years have elapsed -off period).	Not applicable	Item: 18.1.g. and Recommendation III.4.
	III.6. Non-executive directors should participate in the definition, by the management body, of the strategy, main policies, corporate structure and decisions that are considered strategic to the company by virtue of their amount or risk, as well as in the assessment of their compliance.	Compliant	Item: 21. - Board of Directors
	III.7. The general and supervisory board should, within the framework of its legal and statutory powers, collaborate with the executive board of directors in defining the strategy, main policies, corporate structure and decisions that should be considered strategic for the company, due to its amount or risk, as well as in the assessment of their compliance.	Compliant	Item: 18. and 37.

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	III.8. In compliance with the powers conferred upon it by law, the supervisory body should, in particular, monitor, assess and give opinion on the strategic guidelines and risk policy defined by the management body.	Compliant	Items: 21. Audit Committee and 37.
	III.9. Companies must establish specialized internal committees that are appropriate to their size and complexity, covering, separately or cumulatively, matters of corporate governance, remuneration and performance appraisal, and appointments.	Compliant	Items: 27 and 29
	III.10. Risk management, internal control and internal audit systems should be structured appropriately according to the size of the company and the complexity of the risks that are inherent to its activity.	Compliant	Items: 50. and 52.
	III.11. The supervisory body and the financial committees should oversee the effectiveness of systems and risk management, internal control and internal audit, and propose any adjustments that may prove necessary.	Compliant	Items: 37 and 50
	III.12. The Supervisory Body should issue an opinion on the work plans and resources allocated to the internal control, including control of compliance with the regulations applied to the company (compliance services) and of internal audit, and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.	Compliant	Items: 37 and 50

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Chapter IV - EXECUTIVE MANAGEMENT

Principles:	Recommendations:		
IV.A As a way to increase the efficiency and quality of the performance of the management body and the suitable flow of information to this body, the day-to-day management of the company must belong to executive directors with the appropriate proficiency, skills and experience, that their function requires. Executive management is responsible for managing the company, pursuing the goals of the company and aiming to contribute to its sustainable development.	IV.1. The management body should approve, through internal regulations or through an equivalent means, the working regime of executives and their performance in executive functions in entities outside the group.	Compliant	Items: 21. - Executive Committee
IV.B In determining the number of executive directors, the size of the company, the complexity of its activity and its geographical dispersion must be taken in to account, in addition to the costs and the desirable agility in the way the executive management works.	IV.2. The administration body must assure that the company acts in accordance with its objectives, and should not delegate its powers, namely, with respect to: i) definition of the strategy and general policies of the company; ii) definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special features	Compliant	Item: 21. - Board of Directors
	IV.3. The management body should set risk-taking goals and ensure that they are fulfilled.	Compliant	Item: 21. - Board of Directors and Recommendation IV.4.
	IV.4. The supervisory body should organize itself internally by implementing periodic control mechanisms and procedures to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body	Compliant	Item: 21. - Audit Committee

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Chapter V - PERFORMANCE EVALUATION, REMUNERATION AND NOMINATIONS

V.1 Annual Performance Evaluation

Principle	Recommendations:		
The company should promote the evaluation of the performance of the executive body and its members individually and also of the overall performance of the management body and of the specialized committees established within it.	V.1.1. The management body should evaluate annually its performance as well as the performance of its committees and of the delegated directors, taking into account the compliance with the company's strategic plan and budget, risk management, internal performance of the management and of its committees, as well as the relationship between corporate bodies and committees.	Compliant	Items: 24 and 25
	V.1.2. The supervisory body must supervise the management of the company and, in particular, evaluate annually the compliance with the company's strategic plan and budget, risk management, the internal functioning of the management body and its committees, and the relationship between bodies and committees of the company.	Compliant	Items: 24., 25. and 37.

V.2 Remunerations

Principle	Recommendations:		
The remuneration policy of members of management and supervision bodies must allow the company to attract, at a reasonable economic cost for their situation, qualified professionals, to induce the alignment of interests with those of the shareholders - taking into account the wealth effectively created by the company , the economic situation and the market situation - and to constitute a factor for the development of a culture of professionalisation, promotion of merit and transparency in society.	V.2.1. The establishment of remunerations should be made by a committee whose composition ensures its independence from management.	Not applicable	Items: 66 and 67

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	V.2.2. The remunerations commission must approve, at the beginning of each term-of-office, the making and confirm, every year, the remuneration policy of the members of the corporate bodies and commissions of the company, wherein the respective fixed components are established and, regarding the executive directors or directors temporarily in charge of executive tasks, if there is a variable component of the remuneration, the respective criteria for attribution and measurement, the limitation mechanisms, the mechanisms for the deferment of the payment of the remuneration, and the remuneration mechanisms based on options or shares of the company itself.	Compliant	Items: 27.b), 66., 67.and 69.
	V.2.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, should also contain:	Compliant	Items 69 and 81
	i. The total remuneration broken down by the different components, the relative proportion of the variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of society, and information on how performance criteria were applied.	Compliant	Items: 70., 77. and 79.
	ii. The remunerations from companies part of the same group;	Compliant	Items: 77 and 78
	iii. The number of shares and of options on shares granted or offered and the main conditions for the exercise of the rights, including price and the date of that exercise and any alteration in those conditions;	Compliant	Items: 70. to 85.
	iv. Information of the possibility of requesting the return of a variable remuneration;	Compliant	Items: 69., 70. and 80.
	v. Information on any deviation from the procedure for implementing the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and an indication of the specific elements to be waived;	Compliant	Item: 66.

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	vi. Information on the payability or non-payability of amounts relative to the termination of duties of directors.	Compliant	Item: 80.
	V.2.4. For each term of office, the remuneration committee should also approve the pension scheme of directors, if the articles will allow it, and the maximum amount of any compensation to be paid to the member of any body or committee of the company in case they leave office.	Compliant	Items: 69., 76., 80., 83., e 84. and Recommendation V.2.5.
	V.2.5. With the purpose to provide information or clarification to the shareholders, the chairman or, in his / her absence, another member of the remuneration committee shall be present at the annual general meeting and any other meetings if the respective agenda includes a matter related to the remuneration of the members of the bodies and committees of the company or if such presence has been requested by shareholders	Compliant	Item: 67. Recommendation V.2.4.
	V.2.6. Within the budgetary constraints of the company, the remuneration committee must be able to freely decide on the contracting, by the company, of the consultancy services necessary or convenient for the performance of its duties. The Remuneration Committee should ensure that the services are provided with independence and that the respective providers will not be hired for the provision of any other services to the company itself or to other companies that are in a control or group relationship without the express authorization of Committee.	Compliant	Items: 27.b) and 67.

V.3 Remuneration of Directors

Principle	Recommendations:		
Directors should receive compensation:	V.3.1. Bearing in mind the alignment of interests between the company and executive directors, a portion of their remuneration should be of a variable nature so as to reflect the sustained performance of the company and does not encourage excessive risk-taking.	Compliant	Item: 70.

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(I) that it adequately remunerates the responsibility assumed, the availability and the competence placed at the service of the company;	V.3.2. A significant part of the variable component must be partially deferred over time for a period of not less than three years, associating it with the confirmation of the sustainability of performance, under the terms defined in the company's regulations.	Compliant	Item: 70.
(Ii) that guarantees a line of conduct aligned with the long-term interests of the shareholders, as well as others that they expressly define; and	V.3.3. When variable remuneration comprises options or other instruments directly or indirectly dependent on the value of the shares, the beginning of the exercise period shall be deferred for a term of not less than three years.	Compliant	Item: 70.
(I) that rewards performance.	V.3.4. The remuneration of the non-executive directors should not include any component whose value depends on the performance or value of the company.	Compliant	Item: 69.
	V.3.5. The company should have the appropriate legal instruments so that the termination of functions before the term of office does not directly or indirectly result in the payment to the director of any amounts other than those set forth by the law, and should explain the legal instruments adopted in the corporate governance report.	Compliant	Items: 83 and 84

V.4. Nominations

Principle	Recommendations:		
Regardless of the appointment procedure, profile, expertise and curriculum of the members of the corporate bodies and senior managers, they should be suitable to the performance of the function.	V.4.1. The company should, under such terms as it deems appropriate, but in a manner that can de demonstrated, promote that proposals for the election of members of corporate bodies are accompanied by a justification on the suitability of the profile, expertise and curriculum to the function of each candidate.	Compliant	Item: 17.
	V.4.2. Unless the size of the company does not justify it, the function of monitoring and supporting appointments to senior management positions should be attributed to a Committee for Nominations.	Compliant	Item: 27 b) Committee for Nominations and Remunerations

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	V.4.3. This commission includes a majority of independent non-executive members.	Compliant	Items 17 and 27.b
	V.4.4. The Committee for Nominations should make its terms of reference available and should, to the extent of its competences, foster transparent selection procedures that include effective mechanisms for identifying potential candidates, and that those who have the greatest merit, are better suited to the requirements of the function, and promote within the organization adequate diversity including gender, should be the ones chosen for the proposal.	Compliant	Item: 17. and Recommendation V.4.1.

Chapter VI – RISK MANAGEMENT

Principle	Recommendations:		
Based on the medium and long-term strategy, the company must establish a system of risk management and control and internal audit that allows to anticipate and minimize the risks inherent to the activity.	VI.1. The Board of Directors should discuss and approve the company's strategic plan and risk policy, including the formulation of acceptable risk levels.	Compliant	Items: 27 a) and 54.
	VI.2. Based on its risk policy, the company must establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity; (ii) the probability of their occurrence and their impact; (iii) the instruments and measures to be adopted with for the purpose of their mitigation; (iv) monitoring procedures for their follow-up; and (v) the supervisory procedure, periodic evaluation and adjustment of the system.	Compliant	Item: 54.
	VI.3. The company should evaluate annually the degree of internal compliance and the performance of the risk management system, as well as the potential for change of the previously defined risk framework.	Compliant	Item: 54.

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Chapter VII - FINANCIAL INFORMATION

VII.1 Financial information

Principles:	Recommendations:		
VII.A. The supervisory body should independently and diligently ensure that the management body fulfils its responsibilities in the choice of appropriate accounting policies and criteria and in the establishment of appropriate systems for financial reporting, risk management , for internal control and audit. VII.B. The supervisory body should promote an adequate articulation between the work of the internal audit and the statutory audit of accounts.	VII.1.1. The internal regulation of the supervisory body should impose that it supervises the adequacy of the preparation and disclosure of financial information by the management body, including the adequacy of accounting policies, estimates, judgements, relevant disclosures and their consistent application between exercises, in a duly documented and reported manner.	Compliant	Items: 21. – Audit Committee and 37.

VII.2 Statutory audit of accounts and supervision

Principle	Recommendations:		
It is incumbent upon the supervisory body to establish and monitor formal, clear and transparent procedures on the way the company selects and relates to the statutory auditor, and to verify if that auditor complies with the rules of independence that the law and professional standards impose.	VII.2.1. Through internal regulations, the supervisory body should define:	Compliant	Item: 37.
	i. The criteria and selection process for the Statutory Auditor;	Compliant	Item: 37. and Recommendation VII.2.1.
	ii. The methodology of communication of the company with the Statutory Auditor;	Compliant	Item: 37. and Recommendation VII.2.1.

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	iii. The supervisory procedures designed to ensure the independence of the statutory auditor;	Compliant	Item: 37. and Recommendation VII.2.1.
	iv. Other than auditing services which can not be provided by the statutory auditor.	Compliant	Item: 37. and Recommendation VII.2.1.
	VII.2.2. The supervisory body should be the main discussion partner of the Statutory Auditor and the first to receive the reports, and should propose the respective remuneration and ensure that the company provides the appropriate conditions for the provision of the audit services.	Compliant	Recommendation VII.2.1.
	VII.2.3. The supervisory body should evaluate annually the work, independence and suitability for the performance of duties carried out by the statutory auditor and propose, to the competent body, the auditor's dismissal or the termination of the work contract whenever there is just cause for that.	Compliant	Recommendation VII.2.1.
	VII.2.4. The statutory auditor should, under his duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failures to the supervisory body.	Compliant	Item: 66.
	VII.2.5. The statutory auditor should cooperate with the supervisory body and should immediately provide information on any irregularities that it has detected, relevant to the performance of the functions of the supervisory body and any difficulties encountered in the performance of its duties.	Compliant	Items: 37.

Part I – Information on Shareholder Structure, Organisation and Corporate Governance

A. SHAREHOLDING STRUCTURE

I. Capital Structure

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245-A/1/a).

On the date this Report was made (March 2019) the share capital of the Bank amounted to 4,725,000,000.00 Euros, represented by 15,113,989,952 shares of a single category, nominative, book-entry, without nominal value, fully subscribed and paid up, all admitted to trading in a regulated market (Euronext Lisbon). These shares represent 100% of the share capital, confer identical rights and are fungible between them.

According to the information provided by Interbolsa, as at 31 December 2018, the number of shareholders of Banco Comercial Português totalled 159,670.

The Bank's shareholder structure continues, on 31 December 2018, to be very dispersed, with four shareholders owning more than 2% of the share capital. Of these, only two have a stake above 5%. As a whole, the shareholders with qualifying stakes represented 52.2% of the share capital.

Shareholders with more than 5 million shares represented, on 31 December of 2018, 76% of the share capital. In terms of geographic distribution, special note should be made of the weight of the shareholders in Portugal, which accounted for 31% of the total number of shareholders.

Pursuant to its articles of association, the Bank has the ability to issue shares with special rights, namely voting or non-voting preferential shares either redeemable with or without premium or not redeemable.

For the issuance of this type of shares it is necessary the adoption of a resolution by the Shareholders at the General Meeting of Shareholders by a majority of 2/3 of the votes cast.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b).

The shares representing the Bank's share capital are freely transferable.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a).

The treasury stock (BCP shares) held by entities included in the consolidation perimeter is within the limits established by the Law and Regulations.

As at 31 December 2018, Banco Comercial Português, S.A. held no treasury stock in its own portfolio, and there were no purchases or sales of own shares throughout the period. However, on that date were recorded under Treasury Shares" 323,738 shares (31 December 2017: 323,738 shares) held by Customers. Considering that for some of these customers, whose shares serve as collateral for loans granted by the Bank or by the Group BCP, there is evidence of impairment, the Bank's shares held by these customers were considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the Note to the consolidated financial statements number 52, as at 31 December 2018, Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A. held 142,601,002 BCP shares, amounting to Euros 32,727,000 and on 31 December 2017, it held 142,601,002 shares, amounting to Euros 38,531,000.

The shares held by the Bank due to credit recovery process are not considered treasury stock in portfolio, as the respective sale is made in the market and in the short term.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j).

Banco Comercial Português, does not adopt measures that determine payments or the assumption of expenses nor is party in significant agreements, namely agreements that become in effect, be altered or cease to be in effect in case of change in control due to a takeover bid or the alteration in the composition of the corporate bodies which may seem able of jeopardizing the economic interest in the transmission of shares and the free evaluation by the shareholders of the Director's performance.

Under its activity, the Bank has negotiated seven bilateral contracts with the European Investment Bank (EIB) and the European Investment Fund (EIF), of the overall amount of close to one thousand and three hundred million Euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

Article 26 of the Bank's Articles of Association establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not be counted.

On the date this report was made there are no shareholders reaching the limit of 30% of the votes, as set forth in the article 26 of the Bank's Articles of Association. The amendment of this statutory provision requires the approval of 2/3 of the votes cast at the General Meeting.

The Bank's Articles of Association do not foresee the periodic review of the statutory rule that establishes the limitation of votes, however, in accordance with article 13-C of the Legal Framework for Credit Institutions and Financial Companies, these limits automatically expire at the end of each five-year period, in case a resolution is not adopted regarding their maintenance. The General Meeting of Shareholders, held on 9 November 2016, approved by a majority of 96.10% of the votes cast, the maintenance of the limitation of votes foreseen in articles 25 and 26 of the Articles of Association, and the next resolution for the maintenance of the limits must be adopted until the end of 2021. On the date of the resolution, there were no shareholders holding shares exceeding the established statutory limit.

We must underline that, the Bank considers that the rule for the limitation to voting rights, commonly referred to as "statutory ceiling on voting rights", follows the best international and national corporate governance practices in terms of statutory restrictions for significant institutions with the size, internal organisation, scope and complexity of activities such as the ones pursued by the Company.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g).

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

On 18 November 2016, BCP and Fosun Industrial Holdings Limited signed a Memorandum of Understanding and Subscription Agreement relating to the investment of this company in the share capital of BCP, according to which the company Chiado (Luxembourg) S.à r.l. («Chiado»), an entity part of Group Fosun, agreed to invest in BCP through the private placement of 157.437.395 new shares and committed to keep the ownership of these shares for, at least, 3 years.

II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/c & d and Article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution.

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2018, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

Shareholder	Nr. of Shares	% of share capital	% voting rights
Chiado (Luxembourg) S.à r.l., a company held by Fosun International Holdings Ltd (Fosun Group)	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	4,118,502,618	27.25%	27.25%
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**	315,336,362	2.09%	2.09%
TOTAL FOR EDP GROUP	315,336,362	2.09%	2.09%
TOTAL OF QUALIFYING STAKES	**7,892,521,406**	**52.20%**	**52.20%**

* According to the communication of 05 March 2018.

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

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

On this issue, see information provided in the Annual Report 2018, in Note 52 to the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned.

Under the terms of article 5 (1) of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation.

The last renewal of this authorization was approved at the General Meeting of Shareholders held on 21 April 2016, when the Bank's share capital amounted to 4,094,235,361.88 Euros, and the General Meeting resolved that 20% of that increase could be made through the placement, without shareholders preference rights, with qualified or institutional investors.

The Bank's share capital was increased twice under this authorization.

The first time on 18 November 2016, amounting to 174,582,327.32 Euros, an increase reserved to Chiado (Luxembourg) S.à r.l. (Group Fosun), and on 7 February 2017, in the amount of 1,331,920,364.52 euros, in an increase with preference right for shareholders. Therefore, the ceiling for authorization to increase the capital to be resolved by the Board of Directors is established, on the date this report is made, at 2,587,732,670.04 euros.

It is also important to remind that, on 11 February 2018, the shareholders resolved at a General Meeting of Shareholders to reduce the share capital in the amount of 875,738,053.72 euros, to cover losses, and the capital was then established as amounting to 4,725,000,000.00 euros.

10. Significant business relations between holders of qualifying stakes and the company

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, after a prior opinion has been obtained from the Audit Committee, through proposal submitted by the Executive Committee, supported by a proposal made by the Credit Commission and an analysis and opinion issued by the Internal Audit Division, in what regarded the legal and regulatory compliance of the proposal.

During 2018, the Audit Committee issued five opinions related to operations for granting and renewing credit lines and limits, and four opinions on other credit operations regarding shareholders owners of a qualifying stake or natural or legal persons related with them. All these operations were carried out under normal market conditions.

During the year covered by this Report, regardless of the aforesaid operations, no other business or operations were conducted, namely the acquisition of supplies and services, between Banco Comercial Português and qualifying shareholders and entities related to them, which were economically significant and cumulatively carried outside market conditions, applicable to similar operations, or outside the scope of the current activity of the company. The Internal Audit Division, the Executive Committee, Audit Committee and the Board of Directors verified compliance with the conditions mentioned above.

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, number 1 of the Bank's Articles of Association, the Board of the General Meeting is composed of a Chairperson, a Vice-Chairperson and the Company Secretary.

The chairperson and the Vice-Chairperson of the General Meeting of Shareholders were elected at the General Meeting of Shareholders which took place on 10 May 2017, for the term-of-office regarding the three-year period 2017/2019, being, therefore, exercising the first term-of-office which began on the above mentioned election date and will end on 31 December 2019. Although the members of the Board of the General Meeting were elected for a fixed term, they will remain in office until the election of new members, which is scheduled to occur up to the end of the month of May 2020.

The Company Secretary was appointed by the Board of Directors on 24 July 2018, performing duties for the three-year period 2018/2021.

The Board of the General Meeting is composed of:

Chairman:	Pedro Miguel Duarte Rebelo de Sousa (Independent)
Vice-Chairperson:	Octávio Manuel de Castro Castelo Paulo (Independent)

Inherent to the position, the Board of the General Meeting is supported by secretarial services administered by the Company Secretary, Ana Isabel dos Santos de Pina Cabral.

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f)

Under the terms of the Bank's Articles of Association, each share corresponds to one vote. Natural or legal persons that own shares which confer to them at least one vote at zero hours of the fifth trading day prior to the date of the General Meeting may participate therein, directly or through a representative.

Voting in writing, by mail or internet is permitted, provided that the vote is received by the penultimate day prior to the date of the General Meeting.

Shareholders who participate in the General Meeting directly or through representation may only exercise their voting rights at the General Meeting.

On these issues, see items 5 and 14.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1.

On this issue, see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority

The Bank's Articles of Association require the presence or representation of over one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a majority of three quarters of the fully paid up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is not intended to adopt mechanisms able of rendering more difficult the adoption of resolutions by the shareholders; on the contrary, it intends to defend minority shareholders and assure that no relevant matter is resolved on without the effective participation of a representative number of shareholders.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the endorsed governance model

Banco Comercial Português, S.A. has endorsed, since 2012, a one-tier corporate structure with a Board of Directors which includes an Executive Committee and an Audit Committee. It also has a Remuneration and Welfare Board and an International Strategic Board elected by the General Meeting.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h)).

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position, such co-optation must be ratified at the first General Meeting of Shareholders taking place after the co-optation. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists.

In accordance with the Bank's articles of association, a member of the Executive Board of Directors can be elected on its own according to article 392 (1 to 5) of the Companies Code.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member.

Under the terms of the Bank's Articles of Association, the Board of Directors is composed of a minimum of fifteen and a maximum of nineteen members, elected for terms of office of four years, who may be re-elected one or more times.

The current Board of Directors of Banco Comercial Português was elected by the General Meeting held on 30 May 2018, to exercise functions in the four-year period of 2018/2021, includes in its composition four women, representing 25% of the members of the Board of Directors in exercise since 30 May 2018, and the Bank complies, in this collegiate body, the requirements of effective balance of gender regarding the members of the Board of Directors.

The Bank places in the proposals it submits to the elective General Meeting all the documents necessary regarding the adequacy of the profile, knowledge, professional experience and curricula of the candidates to become member of the corporate bodies, which allows evaluate the adequacy of their profile and competences to the function they will exercise, keeping the Company all the information available for a period of ten years on the Bank's website, in the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/

The competences and responsibilities attributed to the members that compose the current Board of Directors translate the improvement introduced in the corporate governance model. At the level of internal control and risk management the hierarchical responsibility for the second lines of defence was attributed to one executive director, which also includes the Boards of Directors of the subsidiary companies operating abroad, this way extending the coordination and scope of the performance of these defence lines to the entire Group. In the composition of the Board of Directors there was also a reinforcement in the capacity to provide dynamics, leadership and control on the digital transformation process incorporated in the strategic plan approved for the 2018-2021 period, by means of executive and non-executive members with specific competences in these areas.

The composition of the Board of Directors at the end of the financial year this Report refers to, as well as the date of the first appointment of each member and the date of end of term of office is identified in the following table:

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE NON-EXECUTIVE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Term of Office - Start	Term-of-office	Term of Office (a)	Justification	Body and Position	Qualification
Nuno Manuel da Silva Amado	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (b)
	11/05/2015	2015/2017	31/12/2017		Board of Directors - Vice-Chairman and Executive Committee - Chairman	
	28/02/2012	2012/2014	31/12/2014			
Jorge Manuel Baptista Magalhães Correia	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Vice-Chairman	Not Independent (c)
Valter Rui Dias de Barros	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Vice-Chairman	Not Independent (c)
Ana Paula Alcobia Gray	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Cidália Maria Mota Lopes	30/05/2018	2018/2021	31/12/2021	Election	Interim Chairwoman	Independent
	11/05/2015	2015/2017	31/12/2017		Board of Directors - Member	
José Manuel Alves Elias da Costa	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Xiao Xu (Julia Gu)	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Lingjiang Xu	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
	09/01/2017	2015/2017	31/12/2017	Co-optation		
Teófilo Cesar Ferreira da Fonseca	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Wan Sin Long	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent

Composition of the Board of Directors (Executive Members)	Term of Office - Start	Term-of-office	Term-of-Office (a)	Justification	Body and Position	Qualification
Miguel Maya Dias Pinheiro	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Chairman	Executive
	11/05/2015	2015/2017	31/12/2017		Executive Committee - Vice-Chairman	
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	
	11/11/2009	2008/2010	31/12/2010	In replacement		
Miguel de Campos Pereira de Bragança	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Vice-Chairman	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
João Nuno de Oliveira Jorge Palma	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Vice-Chairman	Executive
	09/01/2017	2015/2017	31/12/2017	Co-optation		
José Miguel Bensliman Schorcht da Silva Pessanha	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Member	Executive
	11/05/2015	2015/2017	31/12/2017			
Maria José Henriques Barreto de Matos de Campos	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Member	Executive
Rui Manuel da Silva Teixeira	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Member	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	

(a) Although the end of the mandate coincides with the last day of the calendar year, to which it refers, the member shall remain in office until the election of the new composition.
(b) The Director in question exercised the position of executive director in the previous term-of-office (2015/2017). The non independence is established in accordance of Item 91.a.,of the EBA/GL/2017/12 Guidelines of 26 September 2017.
(c) The director in question is connected to a shareholder with a qualifying stake.

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board

On 24 July 2018 and after obtaining a decision from the supervisor so that the elected directors could initiate functions, the Board of Directors appointed, in accordance with articles 407 (3 and 4) of the Companies Code and 35 of the Articles of Association, an Executive Committee composed by six of its members, and the Chairperson of the Executive Committee was indicated by the General Meeting of Shareholders.

On 30 May 2018, the General Meeting of Shareholders elected, from amongst the members of the Board of Directors, the Audit Committee composed by four members. On the date this Report was made, the Audit Committee is composed by three members.

In article 2 of the Articles of Association, the Bank sets forth the rule that the Board of Directors is composed by a minimum of 15 and a maximum of 19 members, elected by the General Meeting of Shareholders, this way complying with domestic and international best practices observed by similar companies, since it deems that this number of members is sufficient and adequate to the size of the company and to the complexity of the risks inherent to the activities it pursues, a number that allows it to possess a transparent organizational structure with lines of responsibility that the Bank observes.

The Executive Committee performs all of the Bank's day-to-day management duties that have not been reserved by the Board of Directors. On 31 December 2018, the Board of Directors was composed by sixteen members, with ten non-executive members and six executive members.

According to CMVM Regulation 4/2013, Annex 1, nr. 18.1, in the recommendation III.4. Of the Governance Code of the IPCG and item 91a. of the guidelines EBA/GL/2017/12, a member of the Board of Directors who is not associated with any specific interest group within the company, or under any circumstances capable of affecting their impartiality of analysing or decision making is considered to be independent.

All the non-executive members of the Board of Directors were evaluated by the Committee for Nominations and Remunerations which, for that purpose and taking into account the Guide for the Assessment of Fit & Proper (May 2018) of the European Central Bank, taking consideration, apart from the profile of each one of the Directors, the following facts:

- Being an employee of the company over the last three years or a company which is in a controlling or group relationship;
- Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;
- Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a Board Member;
- Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes;
- Being the holder of a qualifying stake or representative of a shareholder with qualifying stake.
- Having been re-elected for more than two, consecutive or not, terms-of-office.
- Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company;
- Exercises or exercised in the last 5 years the position of member of the administration body, in its management function, in an institution included within the scope of the prudential consolidation.

Excluding the executive directors, four members of the Board of Directors, out of ten members, are independent. In other words, 40% of the non-executive directors are independent, and BCP considers that the proportion of independent directors, versus the total number of directors, is adequate, taking into account the endorsed governance model and the size of the company.

None of the directors has exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company.

Having been pondered the content of the Recommendations III.2 and III.3.of the IPCG Code, the art. 414 (5((b), the provisions of article 31- A of the LFCIFC, the European legislation, namely the independence of mind criteria mentioned in the Guide to fit and proper assessments of the members of management bodies of the ECB (May 2018)", and the EBA/GL/2017/12 guidelines of 26 September 2017, applicable since 30 June 2018, the Committee for Nomination and Remunerations considered that the number of non-executive directors qualified independent ensures them the effective capacity to monitor, supervise and assess in a critical, impartial and adequate manner the activity developed by the executive directors.

On this matter, see the table presented in item 26.

19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, The Supervisory Board and of the Executive Board of Directors

The professional qualifications and other curricular details of the profile of each member of the Board of Directors are presented in Annex I to this Corporate Governance Report.

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.

There are no habitual and significant family or business relations between the members of the Board of Directors and of the Executive Committee with shareholders imputed with qualifying stakes above 2% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 2% are legal persons. Under these terms, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 2%. Furthermore, there are also no family relations between the members of the Bank's Board of Directors and Executive Committee and the members of the Boards of Directors of the shareholders with a stake above 2%.

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2018, a qualifying stake above 2% of the voting rights is imputable are listed in the following table:

PROFESSIONAL OR BUSINESS RELATIONSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BCP WITH SHAREHOLDERS HOLDERS OF A QUALIFIED STAKE OF MORE THAN 2% OF VOTING RIGHTS

Member of the Board of Directors of BCP	Professional or Business Relationship	Shareholder owning more than 2% of Voting Rights
Jorge Manuel Baptista Magalhães Correia	Chairman of the Executive Board of Directors of Fidelidade - Companhia de Seguros, S.A.	Grupo Fosun
Ana Paula Alcobia Gray	(By indication of Sonangol)	Sonangol Group
Lingjiang Xu	Non-executive member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.	Grupo Fosun
Xiao Xu Gu (Júlia Gu)	Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd.	Grupo Fosun
Valter Rui Dias de Barros	Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado, (Angola)	Considered as related by the fact that the Angola State controls the Sonangol Group

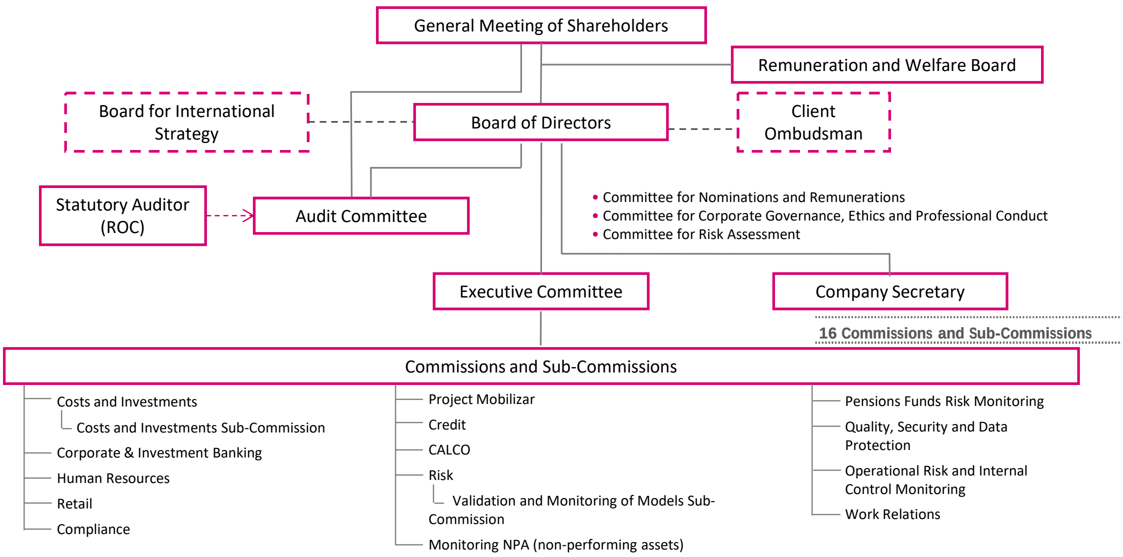
21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

Pursuant to the corporate governance model adopted by the Bank - the one-tier model - the company has a Board of Directors, which includes an Audit Committee, composed solely of non-executive members and an Executive Committee to which the Board of Directors has delegated the Bank's current management, as per the provisions of article 35 of the Articles of Association and articles 5 (2) (a) and 6 (1) of its Regulations.

The Board of Directors has appointed three other specialised committees, whose essential purpose is the permanent monitoring of certain specific or highly complex matters. There is also a Remuneration and Welfare Board

To advise on daily management, the Executive Committee has also appointed different commissions and sub-commissions that, besides two or more Executive Directors, are permanently composed of various first line Directors who report to them.

The diagram below represents the Bank's Corporate Governance Model structure during 2018:



Board of Directors

The Board of Directors (BoD) is the governing body of the Bank vested with the most ample powers of management and representation of the company.

During the performance of their duties, the directors use their competences, qualifications and professional experience to assure, in a permanent and responsible way, a sound, effective, rigorous and prudent management of the Bank, respecting the characteristics of the institution, its size and the complexity of its business activities.

The members of the Board of Directors observe duties of zeal, care and loyalty, reflecting high standards of diligence inherent to a careful and orderly manager, critically analysing the decisions taken as well as the policies and procedures adopted in the best interests of the company. The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the performance of their duties, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by legal provisions or decision of an administrative or judicial authority.

The Board of Directors is the corporate body with competence to define the company's general policies and strategy, being vested with full management and representation powers for both the Bank and the Group, without prejudice to the possibility of claiming back any matter delegated to the Bank's Executive Committee, namely the managerial powers, the Board of Directors has reserved the following competences for itself:

- Choose its Chairperson and Vice-Chairpersons, as well as the Chairperson of the Executive Committee, when these are not appointed by the General Meeting;
- appoint directors to fill in eventual vacancies;
- ask the Chairperson of the Board of the General Meeting to call the General Meeting;
- resolve on the change of head office and share capital increases, under the terms of the law and of the articles of association;
- approve mergers, demergers and other changes to the company;
- approve the Annual Reports and Financial Statements and the proposals that the management body is responsible for submitting to the General Meeting, namely the proposal for the appropriation of profits;
- approve the Bank's annual and longer term budgets;
- define the general policies and strategic goals for the Bank and for the group;
- provide bonds and personal or real guarantees on behalf of the company, with the exception of those included in the Bank's current activity;
- purchase, sell and encumber immovable properties provided that the operation implies a negative impact above 0.5% on the regulatory consolidated own funds;
- define and resolve on the eventual introduction of changes to the group's corporate structure, namely the opening and closing of establishments when it represents a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the making of the decision;
- significant increases or reductions in the company's organization whenever these produce an impact above 5% in consolidated assets;
- resolve, under the terms of the law and of the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;
- appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, the Company Secretary and respective alternate, who must have the adequate expertise and profile to undertake such functions and to whom the Board of Directors must ensure technical autonomy and all the necessary means to carry out their functions;
- appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, a Client Ombudsman, who must necessarily be an individual with a recognized ability, honesty and experience in banking, without employment ties to the Bank and to whom it must ensure all the necessary means to carry out his/her functions freely and independently;
- appoint, pursuant to a proposal made by the Executive Committee and after getting the favourable opinions of the Audit Committee, and in the first case, also the Committee for Risk Assessment, the risk officer, the compliance officer, the head of audit division and the group treasurer, to whom it must ensure technical autonomy and all the necessary means to carry out their functions;
- approve and periodically review the remuneration policy concerning employees which report directly to

the Administration, the ones responsible for the assumption of risks and for the control functions and the employees whose total remuneration places them in the same bracket of the three categories mentioned above provided that their respective professional activities have a material impact on the Bank's risk profile.

- approve the respective internal regulations, as well as the regulations of the Audit Committee, of the Executive Committee and of the other committees it decides to create;
- approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them;
- approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- ratify any acts undertaken on its behalf by the Chairperson or by his/her alternate in case of emergency.

The members of the management or supervision bodies cannot participate in the appraisal and decision whether or not to grant credit to companies holding a stake above 2% in the Bank's share capital of which they are managers or in which they hold a shareholding. In any of these situations the approval by, at least, two thirds of the remaining members of the management board as well as the favourable opinion of the Audit Committee shall be required.

The delegation of powers by the Board of Directors into the specialized committees, including the Executive Committee to which it delegates the bank's current management, does not exclude the competence of this corporate body to resolve on the same issues, nor does it waive, under legal and regulatory terms, namely the item 5 of the Delegated Regulation (EU) nr. 604/2014, of March 4, revised by the Delegated Regulation (EU) 2016/861 of the Commission, of February 18, 2016, the responsibility of other directors for possible losses caused by acts or omissions occurred during the exercise of duties received by delegation to the extent that the members of the management body are ultimately responsible for the institution, its strategy and activities.

The Regulations of the Board of Directors are available on the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

Audit Committee

The Audit Committee is composed of a minimum of three and a maximum of five non-executive members, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairperson.

The members of the Audit Committee, as is the case of all members of the Board of Directors, are appointed for terms of office of four years, and may be re-elected.

The Audit Committee was elected at the General Meeting held on 30 May 2018 for the four-year period 2018-2021. It has the competences foreseen in article 423-F of the Companies Code and in its own Regulations.

The Regulations of the Audit Committee are available at the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Audit Committee makes a quarterly report for the Board of Directors regarding the work it develops and the conclusions it reaches. As the Bank's supervisory body, it is responsible for ensuring compliance with the law and articles of association, and it is entrusted with the following duties:

- supervising the Bank's management;
- calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
- verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;
- accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's annual accounts are appraised;

- monitoring the entire procedure for preparing and disclosing financial information and presenting recommendations or proposals to ensure that such procedure is reliable;
- overseeing the audit to the individual and consolidated financial statements of the financial year, especially its execution, taking into account eventual analyses or guidelines issued by the supervision authorities and to verify that the financial statements are compliant with the applicable legal framework;
- verifying the regularity of the books, accounting records and documents supporting them;
- monitoring the preparation and disclosure of financial information;
- supervising the audit of the Bank's annual report and financial statements;
- drawing up an annual report on its supervisory functions and issuing an opinion on the annual report and accounts and on the proposals presented by the directors, clearly stating its concurrence with the contents of the legal certification of accounts, if that is the case;
- supervising the efficiency of the risk management system, of the internal quality control system and of the internal audit system and issue a prior opinion on the entity appointed by the Bank to assess the adequacy and efficiency of the internal control system;
- issuing an opinion on the work plans and resources allocated to the internal audit and compliance services, being the recipient of the reports made by these services, at least when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities;
- on an annual basis, evaluating and monitoring the independence of the external auditor and of the statutory auditor and propose their election by the General Meeting; being responsible, under the powers delegated by the Board of Directors, pursuant to subparagraph b), number 2.2. of article 7 of the Board of Director's Regulations, for proposing to the General Meeting the contracting and replacement of the statutory auditor and external auditor or proposing his discharge or termination of the contract for provision of his services whenever there are fair grounds for such;
- issuing an opinion on the remuneration of the external auditor and of the statutory auditor, supervising compliance with the rules concerning the provision of additional services, ensuring that the external auditor has all the conditions for the exercise of its functions and evaluating its performance on an annual basis;
- approving the engagement of the External Auditor for the provision of additional services, while guaranteeing that such services do not jeopardise its independence;
- issuing an opinion on the internal service order that regulates the internal reporting of irregularities;
- receiving, handling and recording the communications of serious irregularities related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies, and remaining Portuguese and European legislation in force, presented by shareholders, Bank employees or other;
- suspending directors and appointing substitute directors under the terms of the law and of the articles of association;
- issuing an opinion on the technical and professional profile of the candidates for the position of Head of Internal Audit of the Bank and Head of the Compliance Office of the Bank;
- issuing an opinion on the share capital increases resolved by the Board of Directors;
- issuing a prior opinion on the agreements for the provision of supplies and services established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management body, directly or through third parties, provided that (i) it is an act that cannot be comprised within the business pursued by the bank itself; (ii) the the material engagement limit exceeds the aggregate amount of €100,000/year, per suppliers part of the same economic group or of the same group of clients, for the same type of goods or services, and (iii) within the scope of the business in question some special advantage is granted to the the party of the contract;
- issuing, for the Board of Directors, an opinion on the credit operations, regardless of their form, or engagement of services to (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, as well as to (iii) natural or legal persons related to them.

The Audit Committee always holds mandatory regular meetings with the external auditors and statutory auditor at the time of appraisal of the interim and full year financial statements of the Bank. The Audit Committee receives the Reports of the Internal Audit Division, Statutory Auditor and External Auditors. The Audit Committee holds regular meetings with the Directors in charge of the Financial, Credit and Risk Areas, the Risk Officer, Compliance Officer and Head of Internal Audit, the Coordinating Managers of the Studies and Planning and Asset and Liability Management Division and of the Accounting Division. It has the power to summon or request clarifications from any Coordinating Manager or Employee of the Bank whom it wishes to hear.

Without prejudice to the hierarchical relationship maintained with the Chairperson of the Board of Directors and with the Executive Committee, the head of the Internal Audit Division and the Compliance Officer report functionally to the Audit Committee on the following matters: activity plans; activity reports; organisation and operation documents of the internal audit and compliance areas; situations detected that involve high risk; supervisory actions and relevant lawsuits; and constraints to the effective execution of the defined legal and regulatory functions, namely with respect to the allocated resources. In turn, the Audit Committee, independently of the direct reporting of the Audit Division and Compliance Office to the Chairperson of the Board of Directors, informs the Chairperson of the Board of Directors of all and any situation detected that it deems might qualify as being of high risk.

In the 2018 financial year and until of the effective end of the term-of-office 2015/2017, athe Audit Committee had the following composition:

Chairman:	João Manuel de Matos Loureiro (Not Independent, due to having performed duties in the last 3 terms of office, one of which incomplete)
Members:	Jaime de Macedo Santos Bastos (Independent)
	Cidália Maria Mota Lopes (Independent)

In the 2018 financial year and until of the effective end of the term-of-office 2018/2021, the Committee for Nominations and Remunerations had the following composition:

Interim Chairwoman	Cidália Maria Mota Lopes (Independent)
Members:	Valter Rui Dias de Barros (not Independent)
	Wan Sin Long (Independent)

All of the members of this Committee were subject to a performance assessment by the Committee for Nominations and Remunerations.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise its activities. All the members of this Committee have appropriate knowledge, competences and experience to clearly understand and monitor the risk strategy, within a coherent governance framework, compatible with the risk management systems.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

This Committee received logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the Office Head.

During the 2018 financial year, the Audit Committee held thirteen meetings.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

NUMBER OF MEETINGS ATTENDED UNTIL THE EFFECTIVE TERMINATION OF THE TERM-OF-OFFICE 2015/2017 AND EFFECTIVE PARTICIPATION INDEX PER MEMBER

Members of the Audit Committee	Number of Meetings Attended	Effective Participation Index
João Manuel de Matos Loureiro	8	100%
Cidália Maria Mota Lopes	8	100%
Jaime de Macedo Santos Bastos	8	100%

NUMBER OF MEETINGS ATTENDED WITHIN THE SCOPE OF THE TERM-OF-OFFICE 2018/2021 AND EFFECTIVE PARTICIPATION INDEX PER MEMBER

Members of the Audit Committee	Number of Meetings Attended	Effective Participation Index
Cidália Maria Mota Lopes	5	100%
Valter Rui Dias de Barros	5	100%
Wan Sin Long	5	100%

Executive Committee

On 24 July 2018, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors appointed an Executive Committee, composed of six of its members. The BofD established the *modus operandi* of the EC and delegated to this committee the powers to conduct the Bank's current management.

None of the executive members of the Board of Directors performs executive functions in entities outside the Group, as evidenced by the respective CV's attached to this Report.

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each of its members.

As at 31 December 2018, the distribution of these areas of special responsibility was as follows:

Nuno Amado - Chairman	
Board of Directors' Support Office	
Company Secretary's Office	
Fundação Millennium bcp	
Hierarchical reporting with functional dependence of the Audit Committee	
Audit Division	
Client Ombudsman's Office	
Non-Executive Member of Boards of Directors of subsidiary companies	
Bank Millennium (Poland)	Vice-Chairman
Millennium Bim (Mozambique)	Vice-Chairman

EXECUTIVE COMMITTEE

In absences of Directors responsible for the areas, the respective alternate Directors shall be occasionally appointed by the CEO

Miguel Maya - CEO (MM)
Office of the CEO
Communication Division
Human Resources Division
General Secretariat and Relations with External Entities
Credit Division
Digital Transformation Office

Miguel Bragança - VC/CFO (MB)
Investor Relations Division
Accounting and Consolidation Division
Research, Planning and ALM Division
Management Information Division
Legal and Litigation Advisory Division
Tax Advisory Division
Means of Payment and Acquiring Division

João Nuno Palma - VC (JNP)
International, Treasury & Markets Division
Large Corporates and Corporate banking Divisions
Investment Banking Division
Companies Marketing Division
Macau Branch
Private Banking Division
Corporate Business Development Division

Rui Manuel Teixeira (RMT)
Retail Divisions
Retail Marketing Division
Segments Management Division
Quality and Network Support Division
Wealth Management Division
Real-Estate Business Division
Specialised Monitoring Division

José Miguel Pessanha (JMP)
Rating Division
Office for Regulatory and Supervision Monitoring
Office for the Validation and Monitoring of Models
Data Protection Office
Hierarchical reporting with functional dependence of the Committee for Risk Assessment
Risk Office
Hierarchical reporting with functional dependence of the Audit Committee
Compliance Office

Maria José Campos (MJC)
Companies Recovery Division
Retail and Small Amounts Recovery Division
Direct Banking Division
Operations Division
IT Division
Procurement and Logistics Division

The Company Secretary sends to the Chairperson of the Board of Directors and to the Audit Committee the agendas and minutes of the meetings of the Executive Committee.

The Chairperson of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote, in addition to direct accountability for the respective areas of responsibility, and has the following duties:

- Coordinates the activities of the Executive Committee, distributing special areas of responsibility among its members, and entrusting one or more with the preparation or follow-up of the issues appraised or decided on by the Executive Committee;
- Monitoring the correct execution of the resolutions adopted by the Executive Committee, with the help of the Executive Director responsible for the area concerned;
- Ensuring that all the relevant information is provided to the other members of the Board of Directors relative to the activity and resolutions of the Executive Committee;

- Assures compliance with the limits of delegation of competences, the approved strategy for the Bank and Group, and the duties of collaboration with the Board of Directors and, in particular, with its Chairperson.

During the 2018 financial year, the Executive Committee held 51 meetings.

The Regulations of the Executive Committee are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

22. Existence and location where the operating regulations, as applicable, of the Board of Directors, of the Executive Committee of the Audit Committee and of the Executive Board of Directors can be consulted

The regulations of the Board of Directors, the Executive Committee and the other Committees of the Board of Directors are provided to each member of these governing bodies upon election or appointment, and are available on the internal portal and at the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

23. The number of meetings held and the attendance report for each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable.

During 2018, the Board of Directors held sixteen meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance level, through presence or representation, of each one of the members of the Board of Directors at meetings is shown in the following tables:

Non-Executive Members of the Board of Directors (Until the effective end of the term-of-office 2015/2017)	Attendance in Person	Attendance by Representation	Total Attendance
António Vítor Martins Monteiro	100.00%	0.00%	100.00%
Carlos José da Silva	37.50%	25.00%	62.50%
Álvaro Roque de Pinho de Bissaia Barreto	100.00%	0.00%	100.00%
António Henriques de Pinho Cardão	87.50%	12.50%	100.00%
António Luís Guerra Nunes Mexia	75.00%	12.50%	87.50%
André Magalhães Luíz Gomes	50.00%	50.00%	100.00%
Cidália Maria Mota Lopes	100.00%	0.00%	100.00%
Jaime de Macedo Santos Bastos	100.00%	0.00%	100.00%
João Manuel de Matos Loureiro	100.00%	0.00%	100.00%
Lingjiang Xu	100.00%	0.00%	100.00%
Raquel Rute da Costa David Vunge	87.50%	12.50%	100.00%

Non-Executive Members of the Board of Directors (Within the scope of the term-of-office 2018/2021)	Attendance in Person (*)	Attendance by Representation	Total Attendance
Nuno Manuel da Silva Amado	100.00%	0.00%	100.00%
Jorge Manuel Baptista Magalhães Correia	71.43%	28.67%	100.00%
Valter Rui Dias de Barros	100.00%	0.00%	100.00%
Ana Paula Alcobia Gray	100.00%	0.00%	100.00%
Cidália Maria Mota Lopes	100.00%	0.00%	100.00%
José Manuel Alves Elias da Costa	100.00%	0.00%	100.00%
Julia Gu	100.00%	0.00%	100.00%
Lingjiang Xu	100.00%	0.00%	100.00%
Teófilo Cesar Ferreira da Fonseca	100.00%	0.00%	100.00%
Wan Sin Long	87.50%	0.00%	87.50%

(*) In accordance with the express delegation of the Board of Directors, approved at a meeting held on 13.9.2018, at the meeting held on 28.9.2018 only participated, for the adoption of a specific resolution, the Chairman of the Board of Directors, the members of the Executive Committee and of the Risks Commission, corresponding to more than half of the totality of the members of the Board of Directors.

During 2018, the Executive Committee held fifty one meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance level of each member of the Executive Committee at meetings held is shown in the following table:

Executive Members of the Board of Directors (Executive Committee) (Until the effective end of the term-of-office 2015/2017)	**Effective Participation Index**
Nuno Manuel da Silva Amado	100.00%
Miguel Maya Dias Pinheiro	96.80%
Miguel de Campos Pereira de Bragança	90.30%
João Nuno de Oliveira Jorge Palma	87.10%
José Jacinto Iglésias Soares	74.20%
José Miguel Bensliman Schorcht da Silva Pessanha	100.00%
Maria da Conceição Mota Soares de Oliveira Callé Lucas	74.20%
Rui Manuel da Silva Teixeira	96.80%

Executive Members of the Board of Directors (Executive Committee) (Within the scope of the term-of-office 2018/2021)	**Effective Participation Index**
Miguel Maya Dias Pinheiro	95.00%
Miguel de Campos Pereira de Bragança	95.00%
João Nuno de Oliveira Jorge Palma	90.00%
José Miguel Bensliman Schorcht da Silva Pessanha	100.00%
Maria José Henriques Barreto de Matos de Campos	90.00%
Rui Manuel da Silva Teixeira	95.00%

The composition, the number of annual meetings of the management, supervision and of its internal commissions are available, for at least ten years, at the bank's website, the the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/RelatorioContas.aspx

24. Details of competent corporate boards undertaking the performance appraisal of executive directors

The Board of Directors, in accordance with the provisions of the Legal Framework for Credit Institutions and Financial Companies and using the competence vested by article 37 (1) of the Bank's Articles of Association and by article 6 (2) and 7 (2.3 to 2.5) of its own Regulations, has constituted specialised committees, given the duty to monitor certain specific matters on a permanent basis.

To this end, the Committee for Nominations and Remunerations was instituted, endowed with competences to assess if all members of the management and supervision bodies have and ensure the competences and the adequacy requirements necessary for the functions exercised or to be exercised.

The Committee for Nominations and Remunerations, within the scope of its competences, acts in accordance with article 30-A (1) and article 115-B (2.d) of the Legal Framework for Credit Institutions and Financial Companies, Instruction of Banco de Portugal nr. 23/2018 dated 05 November 2018 and the European legislation in effect, and also with item 4 of the Draft of the Guide to fit and proper assessments of the members of management bodies of the European Central Bank of May 2018, as well as the guidance from the European Securities and Markets Authority set forth in the guidelines on the assessment of the adequacy of the members of the management body and holders of key functions, EBA/GL/2017/12, of 26 September 2017 and applicable as of 30 June 2018.

The Committee for Nominations and Remunerations is composed of three non-executive members (see item 27.b).

The Committee for Nominations and Remunerations, under the competence of assessment of the individual and collective performance of the members of the Board of Directors, including the executive directors, has the duty to:

- issue, at least once a year, informed and independent opinions on the remuneration policy and practices, with the respective criteria for setting the fixed and variable portion of the remuneration, and on the incentives that can be awarded to the employees responsible for risk taking and control functions, for risk, capital and liquidity management purposes, remitting to the Remuneration and Welfare Board the reports made thereon in the portion concerning the administration and supervision bodies, and to the Board of Directors when concerning other corporate bodies;

- prepare the decisions regarding the remuneration of managers who report directly to the administration and of the employees responsible for the assumption of risks and for control functions, and regarding incentives designed, pondering the decisions with impact on the Bank's risks, capital and liquidity to be made by the Board of Directors;
- monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them and the remuneration based on the accomplishment of the objectives associated to the respective function;
- verify the implementation and compliance with the remuneration policies and procedures adopted by the competent corporate body, including the supervision of the remuneration of employees that perform risk management and control functions;
- make and transmit to the Board of Directors recommendations on candidates for members of the administration and supervision bodies, evaluating the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- resolve on the appointment of members to the corporate bodies of group companies or subsidiary companies;
- appraise and send, every year, to the Remuneration and Welfare Board, a model for the evaluation of the performance of the executive and non-executive members of the Board of Directors and of the employees responsible for risk taking and control functions;
- establish a goal for gender representation in the administration body and promote a policy aimed at complying with the defined objective;
- make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;
- evaluate, at least once a year, the knowledge, competences and experience of each one of the members of the administration and supervision bodies and of those bodies as a whole and report the respective results to those bodies;
- appraise and review, at least once a year, the policy defined by the executive administration body in all matters related with the selection and appointment of the directors that directly report to the Administration and formulate the recommendations it deems convenient;
- evaluate, at least once a year, the knowledge, competences and performance of employees who report directly to the administration and of employees responsible for risk taking and control functions and to report the results to Board of Directors;
- monitor, every year, the human resources and staff management policy;
- in general, the Committee for Nominations and Remunerations performs the duties attributed to Nomination and Remuneration Committees in the Legal Framework for Credit Institutions and Financial Companies and other national and European legislation in force, namely with respect to the assessment of executive and non-executive members of the Board of Directors.

25. Predefined criteria for assessing executive directors' performance

The Committee for Nominations and Remunerations assesses, at least once a year, the good repute, knowledge, competences, practical and theoretical experience, professional qualification, independence, incompatibilities, availability and the minimum and specific requirements for holding the position of each member of the management and supervisory body, including the executive directors, thus validating the adequacy of the management body as a whole.

Pursuant to article 3 of its Regulations and being the body responsible for the Bank's nomination policy, the Committee for Nominations and Remunerations actively contributes to compliance with the institutional obligations with respect to the endorsement of suitable policies on individual and collective assessment of the members of the management and supervisory bodies.

With a view to optimising the appropriate performance of its duties, the Committee for Nominations and Remunerations uses external consultants specialised in consulting services in talent areas (Mercer) to assist in the transparent, strict and rigorous process of assessment of aptitude and performance of the members of the executive committee in accordance with, namely, the following specific and predefined criteria:

- reputation;
- qualification, theoretical training and practical experience;
- practical and theoretical professional experience, capacity to apply the competences acquired in previous positions;
- availability, diligence in the performance of the respective duties with the necessary commitment of time and attention;
- making focused decisions;
- independence to hold the position;
- Conflicts of interest and independence of mind;
- risk perception and decision-making capacity;
- drive towards institutional growth;
- collective aptitude;
- acting with loyalty and weighing up of the interests of the company and of all its stakeholders;
- strategic vision, independence, transparency and good repute;
- proportionality and case-by-case assessment;
- assessment of aptitude and performance on a continuous basis.
- equity and respect for procedural guarantees;
- interaction with supervision.

In addition, the qualifications of the members of the management bodies have been improved through training actions by own initiative of the members or provided by external trainers with a recognized technical expertise. The company makes available on the digital platform called "Diligent Boards" supporting the Board of Directors, a summary on the domestic and EU legislation which is most relevant within the scope of banking regulation and supervision.

Based on the criteria referred to above, the Committee for Nominations and Remunerations prepares two questionnaires and requires their completion by each member of the Board of Directors: one for self-assessment and collective appraisal of the management body, and another considering adequacy aimed at appraising compliance with the necessary legal requirements for performance of duties. Based on the collected information and supplemented by a matrix of collective appraisal, pursuant to Annex II of Banco de Portugal Instruction 23/2018, the Committee for Nominations and Remunerations prepares an annual assessment report for each member of the management and supervisory body, and of these bodies as a whole

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year

According to the assessments that have been made, it was found that each executive and non-executive member of the Board of Directors showed willingness and dedicated to the performance of his/her duties the necessary time, proportional to the importance of the matters to be addressed, assessed in the light of the interest that the different issues pose to the company, as well as of the specific tasks entrusted to each member.

The positions held by each executive and non-executive member of the Board of Directors, together with the indication of positions held in other companies, within and outside the Group and other activities developed, are described in the following tables.

A - Non-Executive Members of the Board of Directors and of the Audit Committee

NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT COMMITTEE

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	Member of the Board of Curators of Fundação Millennium bcp Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland) Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.	Member of the Supervisory Board of EDP – Energias de Portugal, S.A.	Effective member of the Plenary, of the Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social Member of the Board of Auditors of Fundação Bial Member of the General Board of Universidade de Lisboa Chairman of the Senior Board of the Alumni Clube ISCTE Member of the Advisory Board of do BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português S.A.	Not Independent (a)	Compliant
Jorge Manuel Baptista Magalhães Correia	1st Vice-Chairman of the Board of Directors Chairman of the Remuneration and Welfare Board		Member of the Board of Directors and member of the Corporate Governance Commission of REN- Redes Eléctricas Nacionais, SGPS, SA Chairman of the Board of Directors of Luz Saúde, S.A. Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A. Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.		Not Independent (b)	Compliant (c)
Valter Rui Dias de Barros	2nd Vice-Chairman of the Board of Directors Member of the Audit Committee Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado, (Angola)		Not Independent (b)	Compliant
Ana Paula Alcobia Gray	Member of the Board of Directors Member of the Committee for Risk Assessment Member of the Remuneration and Welfare Board		-		Not Independent (b)	Compliant
Cidália Maria Mota Lopes	Member of the Board of Directors Interim Chairwoman of the Audit Committee		Professor at Coimbra Business School - ISCAC on fiscal issues Invited Professor at Faculdade Economia – Universidade de Coimbra	Member of the Scientific Board of the Portuguese Fiscal Association (AFP)	Independent	Compliant
José Manuel Alves Elias da Costa	Member of the Board of Directors Chairman of the Committee for Nominations and Remunerations Member of the Committee for Corporate Governance, Ethics and Professional Conduct Member of the Committee for Risk Assessment		-		Independent	Compliant
Julia Gu	Member of the Board of Directors		Executive Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd. Non-Executive Member of the Board of Directors - Mybank Non-Executive Chairwoman - Zhangxingbao (Network Technology Co., Ltd.)		Not Independent (b)	Compliant (c)
Lingjiang Xu	Member of the Board of Directors Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct Member of the Committee for Nominations and Remunerations	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-executive member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A. Chairman of the Board of Directors - Longrun Portugal, SGPS, S.A.		Not Independent (b)	Compliant
Teófilo Cesar Ferreira da Fonseca	Member of the Board of Directors Chairman of the Committee for Risk Assessment Member of the Committee for Nominations and Remunerations		-		Independent	Compliant
Wan Sin Long	Member of the Board of Directors Member of the Audit Committee Member of the Committee for Risk Assessment		Non-Executive Chairman of the Board of Directors of Great Win Investment (Hengqin) (in September 2018 renunciated to the position - pending of registration Chairman of the Executive Board of Directors of Great Win Consultancy Limited		Independent	Compliant

(a) The Director in question exercised the position of executive director in the previous term-of-office (2015/2017). The non independence is established in accordance of Item 91.a.,of the EBA/GL/2017/12 Guidelines of 26 September 2017.

(b) The director in question is connected to a shareholder with a qualifying stake.

(c) The European Central Bank authorised the cumulation of a non-executive position by letter dated 23 July 2018.

B - Executive Members of the Board of Directors

EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	Chairman of the Executive Committee 3rd Vice-Chairman of the Board of Directors	Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA Manager of the company BCP África, SGPS, Lda. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.	Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.	Member of the Senior Board - Alumni Clube ISCTE	Executive	Compliant
Miguel de Campos Pereira de Bragança	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A. Manager of Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda. Manager of the company BCP África, SGPS, Lda. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-executive member of the BofD of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. (pending authorization from the supervisor) Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A. Manager of Quinta das Almoínhas Velhas - Imobiliária, Lda.	Member of the Board of Fundação Casa de Bragança	Executive	Compliant
João Nuno de Oliveira Jorge Palma	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A. Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.			Executive	Compliant
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Vice-Chairman of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Vice-Chairman of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. Chairman of the Audit Committee of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.	Member of the Board of Directors of Banco Millennium Atlântico, S.A. Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.		Executive	Compliant
Maria José Henriques Barreto de Matos de Campos	Member of the Board of Directors Member of the Executive Committee	Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE			Executive	Compliant
Rui Manuel da Silva Teixeira	Member of the Board of Directors Member of the Executive Committee	Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A. Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A. Member of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.	Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. Member of the Remunerations Committee of SIBS SGPS, S.A., as representative of Banco Comercial Português, S.A. Member of the Remunerations Committee of SIBS Forward Payment Solutions, S.A., as representative of Banco Comercial Português, S.A.	Chairman of the Board of the General Meeting of Porto Business School (PBS), as representative of Banco Comercial Português, S.A.	Executive	Compliant

c) Committees within the Board of Directors

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available.

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, in order to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees, responsible for monitoring specific matters, which are identified as follows:

a) Committee for Risk Assessment

The Committee for Risk Assessment, established in accordance and in compliance with the provisions of article 115-L of the Legal Framework for Credit Institutions and Financial Companies is composed by three to five non-executive members, appointed by the Board of Directors.

In the 2018 financial year and until of the effective end of the term-of-office 2015/2017, the Committee for Nominations and Remunerations had the following composition:

Chairman:	Álvaro Roque de Pinho de Bissaia Barreto (Independent)
Members:	António Henriques de Pinho Cardão (Independent)
	André Magalhães Luíz Gomes (Independent)

In the 2018 financial year, within the scope of the term-of-office 2018/ 2021, the Committee for Risk Assessment was composed as follows:

Chairman:	Teófilo Cesar Ferreira da Fonseca (independent)
Members:	Ana Paula Alcobia Gray (Not-independent)
	José Manuel Alves Elias da Costa (independent)
	Wan Sin Long (Independent)

All the members of this committee have appropriate knowledge, competences and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, risk appetite and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Among the competences of the Committee for Risk Assessment, the following are highlighted:

- Monitor the risk identification process;
- Advise the Board of Directors on the appetite for risk and the risk strategy and also on the policies concerning the assumption, management, control, hedging of risk and on the Bank's generic risk reduction factors, current and future;
- Monitor and intervene in the process to review the Group's Risk Appetite Framework, issuing an opinion for the Board of Directors on its adequacy and monitor the evolution of the Risk Appetite Statement;
- Assist the administration body in the supervision of the execution by the top management of the Bank's risk strategy;
- Follow-up capital (ICAAP) and liquidity (ILAAP) planning processes issuing an opinion for the Board of Directors with the respective conclusions;
- Monitor the evolution of the process for preparing and executing the NPEs reduction plan.
- Examine if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income;
- Support the Board of Directors in the assessment of the risk strategies of the main subsidiaries abroad;
- Monitor and ensure that the Bank's risk management systems are appropriate for the Bank's profile and strategy;

For the exercise of its functions, the Committee for Risk Assessment has access to information on the Bank's risk situation and is entitled to determine the nature, quantity, format and frequency of the information concerning risks that it should receive. This Committee also implements internal procedures for communication with the Board of Directors and Executive Committee.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors any and all situations the Committee finds and deems to be of high risk.

During 2018, the Committee held eight meetings, received the logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the head of this office.

b) Committee for Nominations and Remunerations

The Committee for Nominations and Remunerations, established in accordance and in compliance with the provisions of article 115-B and H of the Legal Framework for Credit Institutions and Financial Companies is composed by three to five non-executive members, appointed by the Board of Directors.

The composition of the Committee for Nominations and Remunerations is in accordance with the Regulations of this Committee, since all its members are non-executive directors and no member is part of the Bank's Audit Committee.

In the 2018 financial year and until of the effective end of the term-of-office 2015/2017, Committee for Nominations and Remunerations had the following composition:

Chairman:	Carlos José da Silva (Independent)
Members:	Álvaro Roque de Pinho de Bissaia Barreto (Independent)
	António Henriques de Pinho Cardão (Independent)
	Lingjiang Xu (Non Independent)

In the 2018 financial year and until of the effective end of the term-of-office 2018/2021, the Committee for Nominations and Remunerations had the following composition:

Chairman:	José Manuel Alves Elias da Costa (independent)
Members:	Lingjiang Xu (Non Independent)
	Teófilo Cesar Ferreira da Fonseca (independent)

In a universe of three members that make up the Committee for Nominations and Remunerations 2, (66.66%) of the three members are classified as independent.

All the members of this Committee have appropriate knowledge, competences and experience for the good performance of their duties and one member has specific professional qualification and appropriate professional experience to exercise this position.

Among the competences of the Committee for Nominations and Remunerations, the following are especially important:

issue, at least once a year, informed and independent opinions on the remuneration policy and practices, with the respective criteria for setting the fixed and variable portion of the remuneration, and on the incentives that can be awarded to the employees responsible for risk taking and control functions, for risk, capital and liquidity management purposes, remitting to the Remuneration and Welfare Board the reports made thereon in the portion concerning the administration and supervision bodies, and to the Board of Directors when concerning other corporate bodies;

prepare the decisions regarding the remuneration of managers who report directly to the administration and of the employees responsible for the assumption of risks and for control functions, and regarding incentives designed, pondering the decisions with impact on the Bank's risks, capital and liquidity to be made by the Board of Directors;

monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them and the remuneration based on the accomplishment of the objectives associated to the respective function;

verify the implementation and compliance with the remuneration policies and procedures adopted by the competent corporate body, including the supervision of the remuneration of employees that perform risk management and control functions;

make and provide to the Board of Directors recommendations on candidates to members of the management and supervision bodies, including the Fit & Proper Assessment process, evaluating the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;

establish a goal for gender representation in the administration body and promote a policy aimed at complying with the defined objective;

make and revise the Succession Plan for the members of Bank’s corporate bodies and ensure compliance with the minimum requirements set forth in the legal regime regarding the balanced representation between men and women in the administration and supervision of listed companies;

resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;

resolve on the appointment of members to the corporate bodies of group companies or subsidiary companies;

appraise and send, every year, to the Remuneration and Welfare Board, a model for the evaluation of the performance of the executive and non-executive members of the Board of Directors and of the employees responsible for risk taking and control functions;

make a quarterly report on its activity to be presented to the Board of Directors;

make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;

evaluate, at least once a year, the knowledge, competences and experience of each one of the members of the administration and supervision bodies and of those bodies as a whole and report the respective results to those bodies;

appraise and review, at least once a year, the policy defined by the executive administration body in all matters related with the selection and appointment of the directors that directly report to the Administration and formulate the recommendations it deems convenient;

evaluate, at least once a year, the knowledge, competences and performance of employees who report directly to the administration and of employees responsible for risk taking and control functions and to report the results to Board of Directors;

monitor, every year, the human resources and staff management policy;

In general, exercise all the competences attributed to the Committees for Nominations and Remunerations under the provisions of the General Framework for Credit Institutions and Financial Companies and remaining domestic and European legislation in force.

Under its activity, the Committee for Nominations and Remunerations observes the long term interests of the shareholders, investors and other stakeholders in the institution, as well as the public interest and assures that the decisions taken by the management body are not dominated by any person or small group of persons in detriment of the Bank's general interests.

For the correct performance of its functions, the Committee for Nominations and Remunerations, may use all technical means that it deems fit, including resorting to external advisers; all expenses shall be paid by the Bank.

During 2018, the Committee held twelve meetings, received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

The Regulations of the Committee for Nominations and Remunerations is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CNR.pdf

c) Committee for Corporate Governance, Ethics and Professional Conduct

The Committee for Corporate Governance, Ethics and Professional Conduct is composed of three to five non-executive members, appointed by the Board of Directors.

In the 2018 financial year and until of the effective end of the term-of-office 2015/2017, the Committee for Corporate Governance, Ethics and Professional Conduct had the following composition:

Chairman:	António Vítor Martins Monteiro (Not Independent)
Members:	António Luís Guerra Nunes Mexia (Not Independent)
	André Magalhães Luís Gomes (Independent)
	Raquel Rute da Costa David Vunge (Not Independent)

In the 2018 financial year, within the scope of the term-of-office 2018/ 2021, the Committee for Corporate Governance, Ethics and Professional Conduct was composed as follows:

Chairman:	Lingjiang Xu (Non Independent)
Members:	José Manuel Alves Elias da Costa (independent)
	Valter Rui Dias de Barros (Not independent)

All the members of the Committee for Corporate Governance, Ethics and Professional Conduct have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to the present report.

The competences of the Committee for Corporate Governance, Ethics and Professional Conduct include the following, in particular:

- recommend the adoption by the Board of Directors of policies, compliant with ethical and professional conduct principles, rules and procedures necessary to comply with the provisos of these Regulations and with the applicable legal, regulatory and statutory requirements, as well as with recommendations, standards and best domestic and international practices in corporate governance;
- supporting the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- evaluate the Compliance function, appraising the procedures in effect and the non-compliant situations;
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles;
- Make, on an annual basis, a report to submit to the Board of Directors on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues;
- make a quarterly report on its activity to be presented to the Board of Directors;
- Cooperate in the making of the Corporate Governance Annual Report concerning issues for which it is responsible;
- Issuing an opinion on the Annual Sustainability Report, focusing on the materiality of the information provided, at least in what regards environmental matters, gender equality, non-discrimination and respect for human rights;
- Define and propose the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. For that purpose, it specifically pertains to the Committee to propose the guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection;
- In the specific area of matters related to the governance model endorsed by the Bank, the Committee verifies its efficacy and, when necessary, proposes measures aimed at its improvement to the Board of Directors, annually assessing this model and issuing opinions on the Corporate Governance Report. This Committee also promotes training actions for the Directors.

During 2018, the Committee held three meetings, received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

The Regulations of the Committee for Corporate Governance, Ethics and Professional Conduct are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

28. Composition of the executive Board and/or details of the board delegate/s, where applicable.

The composition of the Bank's Executive Committee is as follows:

Chairman:	Miguel Maya Dias Pinheiro
Vice-Chairpersons:	Miguel de Campos Pereira de Bragança
	João Nuno de Oliveira Jorge Palma
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria José Henriques Barreto de Matos de Campos
	Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

Audit Committee - On this matter, see the information presented in item 21. - Audit Committee.

Executive Committee - On this matter, see the information presented in item 21. - Executive Committee

Committee for Risk Assessment - On this matter, see the information presented in item 27. a).

Committee for Nominations and Remunerations - On this matter, see the information presented in items 24, 25 and 27 b).

Committee for Corporate Governance, Ethics and Professional Conduct - On this matter, see the information presented in item 27. c).

III. SUPERVISION

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision - the Audit Committee

See the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and other important curricular information, and reference to the section of the report where said information already appears

On this matter, see the academic curricula, specialised training and professional experience presented in Annex I of this Report.

b) Functioning

34. Availability and place where the rules on the functioning of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these Boards throughout the financial year, and reference to the section of the report where such information already appears

On this matter, see the information presented in item 26.

c) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, Commission Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th EU Company Law Directive), on statutory audits of annual accounts and consolidated accounts, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Finally, at national level, the commercial legislation, the recommendations and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law nr. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank's Articles of Association explicitly list, among the competences of the Audit Committee, that of supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services.

The Audit Committee, as the Group's supervisory body, has promoted the adoption of rules that assure the independence of the external auditors, and compliance with such rules is assessed and examined on an annual basis, in relation to the Group's various bodies and, at the same time, aimed at avoiding the possible creation of situations of conflicts of interest within the entity providing the Group's legal review of accounts or audit services, creating preventive mechanisms for the approval of additional services and fees.

The Audit Committee also has powers to supervise the engagement of external auditors to provide, to the Bank or to any of the companies that are part of Group Banco Comercial Português, any of the services envisaged in the internal regulations Group Regulations – GR0022 – Policy for the Approval of Services provided by External Auditors.

Through said Regulations that embody the principles presented in the national and international regulations, the Group endorses and systematises a series of rules regarding:

- Classification of the services rendered by the external auditors:
- Definition of the set of services that are not Legal Review of Accounts or Audit Services, which the external auditor is forbidden from providing to any entity of the Group;
- Definition of the set of services that are not related to Legal Review of Accounts or Audit, which may be provided to the Group under specific stipulated circumstances;
- Approval by the Audit Committee of all services engaged to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question; and
- Provision to the Audit Committee of internal control information on the established principles and guidelines.

The Audit Committee issues an opinion on the work plans and on the resources allocated to the internal control services, including the control on the compliance with the rules the Company has to observe (compliance services and internal audit). The Audit Committee is also the recipient of the reports made by these services, including issues related with the financial statements, identification and resolution of conflicts of interest and detection of potential irregularities.

The Audit Committee continuously controls and monitors the effectiveness of the ICS (Internal Control System), of the RMS (Risk Management System), as regards the process of preparation and disclosure of financial information, and the Internal Audit function,

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

On this matter, see the information presented in item 21 – Audit Committee and preceding item 37.

IV. STATUTORY AUDITOR

39. Identification of the statutory auditor and its representative partner statutory auditor

The current Statutory Auditor and External Auditor of Banco Comercial Português is Deloitte & Associados – SROC, S.A., registered in the OROC under nr. 43 and in CMVM under nr. 231, represented by its partner Paulo Alexandre de Sá Fernandes, ROC nr. 1456 and alternatively by Carlos Luís Oliveira de Melo Loureiro, ROC nr. 572, is currently complying with the term-of-office regarding the triennial 2016/2018, continuing to exercise its functions until the next General Meeting of Shareholders to be held until the end of May 2019.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group.

The Statutory Auditor and the External Auditor were elected at the General Meeting held on 21 April 2016 for the term-of-office 2016/2018 by a majority of 99.12% and 95.00% of the votes cast, respectively, and their first term-of-office ended on 31 December 2018.

41. Description of other services rendered by the statutory auditor to the company

On this matter, see the information presented in item 46.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number

The Bank's external auditor and the statutory auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in OROC under nr. 43 and registered in CMVM under nr. 2016/1389, represented permanently by its partner registered in OROC under nr. 1456 and in CMVM under nr. 2016/1066 and alternately by Carlos Luís Oliveira de Melo Loureiro, registered in OROC under nr. 572 and in CMVM under nr.2016/0231.

43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group

The External Auditor and the Statutory Auditor were elected at the General Meeting held on 21 April 2016 for the term-of-office 2016/2018 and remain in office until the next Annual General Meeting to be held until the end of May 2019, when serving the first term.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The Bank complies with the rotation rules laid down in Article 17 of Regulation (EU) No. 537/2014 of the European Parliament and Council, of April 16, 2014 and Article 54 of Law No. 140/2015 , of September 7, so that its External Auditor and the Statutory Auditor will not perform functions for more than three terms and that the initial term of office combined with any renewal thereof shall not exceed the maximum duration of ten years.

The Bank's External Auditor and Statutory Auditor, Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., currently in functions, as well as the partner representing it, Paulo Alexandre de Sá Fernandes and the alternate Statutory Auditor, Carlos Luís Oliveira de Melo Loureiro, were elected on 21 April 2016, for the term-of-office 2016/2018 and will remain in the office until the next Annual General Meeting of Shareholders to be held until the end of the month of May 2019.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

The Audit Committee is, under the terms of the Bank's Articles of Association, the body responsible for assessing the quality of the services rendered by the external auditor and respective partner Statutory Auditor, under the terms referred to in item 21 - Audit Committee and in item 37.

This assessment highlights the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner statutory auditor, in particular appraising the conclusions of the audit of the annual financial statements, on an individual and consolidated basis, analysing the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters and the Limited Review of the half-year interim financial statements. It holds meetings with them whenever necessary.

The Audit Committee annually assesses the quality of the services provided by external auditors, as well as their independence, objectivity and critical requirements demonstrated in the performance of their duties. The Bank officials who maintain relevant contact with the Auditors take part in this evaluation.

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment

Apart from the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by the External Auditor include also the payment of the following services:

- Tax Advisory Services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- Services other than legal review of accounts, namely: (i) Reliability assurance services, (ii) Tax advisory services and (iii) Services other than legal review - provided within the scope of services other than legal review, which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee.

With regard to the approval of the engagement of these services and indication of the reasons for their engagement, the bank maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP Group Deloitte & Associados, SROC, S.A. (hereinafter referred to as "External Auditors") complies with the rules on independence defined by the Group, including those established by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16

April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (Statute of the OROC).

In order to safeguard the independence of the External Auditors, and the national and international good practices and standards, the Audit Committee approved a series of regulatory principles, as described below:

- The External Auditor and the companies or legal persons belonging to the same network ("Network") cannot render to the Bank or to the Group the services that may be considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of External Auditor could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditor without jeopardising its independence. These services are validated by the Group's Compliance Office and subject to approval or ratification, depending on the amount of the fees, of the Audit Committee;
- The provision of services that are detailed in said set of services is subject to specific approval by the Audit Committee prior to the entering into the contract in question.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The amount of the annual remuneration paid in 2018 by the Company and/or legal persons in controlling or group relations, to the external auditor (Deloitte) and other natural or legal persons belonging to the same network[1], detailed with their respective percentages, is shown in the following table:

[1] For purposes of this information, "network" shall mean article 2, paragraph p) of the Legal Framework for the Supervision of Audit, approved by Law nr. 148/2015, of 9 September.

REMUNERATION PAID TO DELOITTE BETWEEN 1 JANUARY AND 31 December 2018

1) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2018	Euros					%			
Companies in Portugal	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Banco Comercial Português, S.A.	1,920,000	1,253,500	-	415,765	3,589,265	53.5%	34.9%	-	11.6%
Banco de Invest. Imobiliário, S.A.	27,000	32,500	-	-	59,500	45.4%	54.6%	-	-
Banco ActivoBank, S.A.	21,000	32,000	-	-	53,000	39.6%	60.4%	-	-
Millennium BCP - Prestação Serviços, ACE	22,500	-	-	-	22,500	100.0%	-	-	-
Millennium bcp Imobiliária, S.A.	21,000	-	-	-	21,000	100.0%	-	-	-
Interfundos - Gest. Fund. Inv. Imob. S.A.	13,000	13,000	-	-	26,000	50.0%	50.0%	-	-
BCP Capital Soc. Capital Risco	7,500	7,000	-	-	14,500	51.7%	48.3%	-	-
Servitrust - Trust and Management Services, S.A.	5,000	-	-	-	5,000	100.0%	-	-	-
Millennium BCP Participações Financeiras, SGPS, Soc. Unipessoal, Lda.	5,000	-	-	-	5,000	100.0%	-	-	-
Imabida - Imobiliária da Arrábida, S.A.	5,000	-	-	-	5,000	100.0%	-	-	-
BCP África, SGPS, Lda. (anteriormente BII Internacional, SGPS, Lda)	10,000	-	-	-	10,000	100.0%	-	-	-
Irgossai - Urbanização e Construção, S.A.	3,000	-	-	-	3,000	100.0%	-	-	-
Millennium bcp - Serviços de Comércio Electrónico, S.A.	2,000	-	-	-	2,000	100.0%	-	-	-
Millennium Fundo de Capitalização, FCR	11,000	-	-	-	11,000	100.0%	-	-	-
Fundação Millennium bcp	1,000	-	-	-	1,000	100.0%	-	-	-
Magellan 2	17,400	-	-	-	17,400	100.0%	-	-	-
Magellan 3	18,000	-	-	-	18,000	100.0%	-	-	-
Total	**2,109,400**	**1,338,000**	**-**	**415,765**	**3,863,165**	**54.6%**	**34.6%**	**-**	**10.8%**

2) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2018	Euros					%			
Companies Abroad	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Bank Millennium, S.A. (Poland)	-	53,000	-	-	53,000	-	100.0%	-	-
Millennium BIM, S.A. (Mozambique)	-	188,000	-	-	188,000	-	100.0%	-	-
Banque Privée BCP (Suisse), S.A.	-	16,000	-	-	16,000	-	100.0%	-	-
Millennium BCP Bank & Trust (Cayman Islands)	26,000	4,500	-	-	30,500	85.2%	14.8%	-	-
BCP Finance Bank, Ltd. (Cayman Islands)	14,500	2,000	-	-	16,500	87.9%	12.1%	-	-
BCP Finance Company (Cayman Islands)	7,000	2,000	-	-	9,000	77.8%	22.2%	-	-
BCP Investment, B.V. (Netherlands)	37,500	-	-	-	37,500	100.0%	-	-	-
BCP International B.V. (Netherlands)	15,000	-	-	-	15,000	100.0%	-	-	-
Magellan 2 (Ireland)	18,500	-	-	-	18,500	100.0%	-	-	-
Magellan 3 (Ireland)	18,500	-	-	-	18,500	100.0%	-	-	-
Total	**137,000**	**265,500**			**402,500**	**34.0%**	**66.0%**	**-**	**-**

SUMMARY OF THE REMUNERATION PAID TO DELOITTE IN PORTUGAL AND ABROAD BETWEEN 1 JANUARY AND 31 December 2018

	Portugal	%	Abroad	%	Total	%
Legal review of accounts	2,109,400		137,000		2,246,400	
Reliability assurance services	1,338,000		265,500		1,603,500	
1. Total for Audit Services	**3,447,400**	**89.2%**	**402,500**	**100%**	**3,849,900**	**90.3%**
Tax Advisory Services	-		-		-	
Services Other than Legal Review of Accounts	415,765		-		415,765	9.7%
2. Total for Other Services	**415,765**	**10.8%**	**-**	-	415,765	
	3,863,165	**100.0%**	**402,500**	**100%**	**4,265,665**	**100%**

C. INTERNAL ORGANISATION

I. Articles of Association

48. The rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum, above the legal one, of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

Regarding the resolution quorum, the Articles of Association only diverge from the law with respect to resolutions on the merger, demerger and transformation of the Company, which require approval by three quarters of the votes cast, and dissolution of the Company where a majority corresponding to three quarters of the paid-up share capital is required.

The Bank and the shareholders that approved the articles of association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, the shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company

The Bank upholds a culture of responsibility and compliance, preventing conflicts of interest and recognising the importance of an appropriate framework and processing of the communication of irregularities, as an instrument of good corporate practice.

The Bank has the appropriate means for receiving, handling and archiving communications of irregularities allegedly committed by members of the corporate bodies and by employees of the companies part of Group BCP or by any other person within the scope of the provision of services to any of the companies part of Group BCP.

For that purpose, the Bank permanently observes the principles and requirements foreseen in art. 116-AA of the LFCIFC, art. 305_F of the Securities Code and in section 13 of the guidelines issued by EBA on internal governance (EBA/GL/2017/11) of 26 September 2017.

Irregularities are actions and omissions, with malicious intent or negligence, related to the management, accounting organisation and internal supervision of the Bank, which may seriously:

- Breach the law, regulations and other rules in force;
- Endanger the assets of clients, shareholders and of the Bank;
- Damage the BCP's reputation.

The policy of communication of irregularities is regulated in an internal service order and is available at the Bank's website, on the page with the following address:

http://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Comunicacao-Irregularidades_EN.pdf

In accordance with the above mentioned policy, the Employees must immediately report to the Audit Committee any irregularity consummated, ongoing or that, as per the data available, it is possible to reasonably foresee that will be committed.

The Employees who become aware of any irregularity due to the functions they exercise, namely in the internal audit, risk management or compliance areas, are especially obliged to report it.

The irregularities can be reported by any means of written communication, addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-256 Porto Salvo, or to the e-mail address: comunicar.irregularidade@millenniumbcp.pt.

The Audit Committee is responsible for managing the communication of irregularities system and for assuring the confidentiality of the communications, being supported by its Support Office.

Once a communication is received, the Audit Committee shall undertake all efforts deemed necessary to assess if there are sufficient grounds to open an investigation and may establish a prior contact with the author of the communication, if known.

If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank.

Once the investigation is over, the Audit Committee shall make a report for the internal transmission of its conclusions to the Board of Directors and to the Executive Committee so that the appropriate diligences may be adopted to correct the irregularity and sanction it, if need be. It must also report it to external entities whenever justified by the specific situation.

The communications received, as well as the reports derived thereof are mandatorily kept for a minimum period of five years in a durable format enabling their full and unaltered reproduction, pursuant to the provisions in article 120 of the Legal Framework for Credit Institutions and Financial Companies (RGICSF).

The confidentiality of the communications will be ensured and they cannot be used as grounds for any disciplinary, civil or criminal proceedings, or the adoption of discriminating practices regarding the whistleblower provided that he/she did not actively participate in it.

In 2018 the Audit Committee received six communications but not all were able to be included within the scope of a participation of irregularity.

Notwithstanding, they were all investigated and handled.

III. Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems.

The Group's internal control is based upon a risk management system that identifies, evaluates, follows-up and controls the risks the Group is exposed to. That system is supported by an efficient communication and information system and on an effective monitoring process which ensure the adequacy and efficiency of the internal control system.

In this context, pursuant to the objectives defined in Banco de Portugal Notice 5/2008, Banco Comercial Português has established specific areas with the risk management, compliance and internal audit functions, performed by the Risk Office, Compliance Office and Audit Division, respectively, endowing them with the technical and human resources that enable them to establish effective and efficient processes to identify, manage, control, monitor and communicate risks and mechanisms that are appropriate to the internal control, both in the Bank and in the Group.

The heads of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system, through which the objectives outlined in Banco de Portugal Notice 5/2008 are achieved, namely:

- respect for all the applicable legal or regulatory provisions;
- efficient performance of the activity; and
- the existence of complete, pertinent, reliable and timely financial and management information.

The Executive Co9mmittee of the Board of Directors also established the Internal Control and Operational Risk Monitoring Commission. This specialized commission has, among other, the following competences regarding the internal control system:

- monitor the making of the Internal Control Report, as well as the evolution and resolution status of the deficiencies and recommendations identified and reported;
- appraise and decide on proposals made to improve the processes (within the framework of operational risk management) for the reinforcement of the internal control environment;

A) Risk Office

The main function of the Risk Officer is to provide support to the Board of Directors in the development and implementation of the processes of risk management and internal control, as per the detailed description presented in the chapter on "Risk Management" of the 2018 Annual Report.

In the performance of its duties, the Risk Officer reports hierarchically to the Board of Directors and to the Executive Committee, also engaging, on a functional reporting basis, with the Committee for Risk Assessment.

Risk Officer: Luís Miguel Manso Correia dos Santos

B) Compliance Office

The main mission of the Compliance Office is to strive for the adoption, by all the Group's Institutions, of the internal and external rules governing their respective activity, in order to contribute to mitigate the risk of incurring in penalties by these institutions.

While performing the duties entrusted to it by the law or other legal source or that have been attributed to it by the Bank's statutory bodies, the Compliance Office makes decisions that are binding on its receivers, aiming to ensure that the different business areas comply with the applicable regulations.

When preparing opinions and related studies at the request of the Bank's different areas and divisions, the Compliance Office identifies and assesses the various types of risks, including those in institutional processes or associated to products and services, prepares proposals for the correction of processes and risk mitigation, ensures the ongoing analysis of the general supervisory environment and, in general, provides specialised support on matters of control and compliance. The Compliance Office is also responsible for preparing and submitting a report to the management body, at least on an annual basis, identifying all cases of non-compliance observed and the recommendations issued to correct them.

The Compliance Office intervenes and actively participates in the Employee training policy, namely through compliance training actions administered to the entire Group, the maintenance of strong knowledge on compliance issues, in particular preventing money laundering or terrorist financing (AML/CFT), preventing market abuse and the development of a culture of internal control within the Group.

The Group Head of Compliance performs his duties in an independent, continuous and effective manner.

The compliance teams allocated to the branches and subsidiaries are composed in the same way as that of the parent company and the team leader - the local Compliance Officer - is appointed by the local Board of Directors, after opinion issued by the Group's Head of Compliance, to whom this Officer reports functionally.

The Group Head of Compliance reports, under the terms of the law, to the Executive Committee of the Board of Directors, through the Director responsible for this area and, functionally to the Audit Committee, according to the matters defined by the Audit Committee at any given time, forwarding reports of its activity, on a quarterly basis, which enable the follow-up of compliance with the action plans that are presented annually. The Group Head of Compliance may also, and whenever necessary, issue occasional reports on relevant issues in the context of the control and monitoring of risks concerning compliance, money laundering and financing of terrorism and reputation, of each entity or of the Group.

In the performance of his duties, the Compliance Officer engages with the Board of Directors, on which it depends, as well as with the Executive Committee, Audit Committee and Committee for Risk Assessment.

Under its functional reporting, the Compliance Office sends the Chairperson of the Board of Directors a quarterly Report on the main compliance risks at the Bank and Group level, disclosing, within the maximum period of two business days, any situation of detected high compliance risk and submitting, every six months, to the Board of Directors, a report with the activity undertaken.

The Audit Committee issues an opinion on the work plan of the Compliance Office, being this Committee also the recipient of the works carried out by the compliance function, namely those related with presentation of earnings, conflicts of interests and detection of irregularities.

Group Head of Compliance: during the 2018 financial year this function was performed by Mário António Pinho Gaspar Neves. In March 2019 this function began to be exercised by Pedro Manuel Francisco da Silva Dias.

C) Audit Division

The Audit Division is responsible for the Internal Audit function of Banco Comercial Português. carries out its mission by adopting principles of internal auditing which are internationally recognised and accepted, issuing recommendations dbased on the outcome of the assessments made, aimed at adding value to the organisation and improving the control and quality of the Bank's operations, contributing to the achievement of its strategic interests and ensuring that::

- the risks are duly identified and managed, and the implemented controls are correct and proportional to the risks;
- the system of assessment of the Bank's capital is adequate in relation to its level of exposure to risk;
- the operations are recorded correctly and the operational, financial and managerial information is rigorous, reliable and provided in due time;
- the safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them are duly ensured;
- the Employees perform their duties in conformity with the internal policies, rules and procedures and

with the legislation and other applicable regulations;

- the resources are economically acquired, efficiently used and adequately protected;
- legal and regulatory matters of significant impact on the organisation are recognised, clearly understood and integrated in operative processes;
- the programmes, plans and objectives defined by the management are complied with;
- the different governing bodies interact in an adequate and efficient manner;

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal Notice 5/2008 for the internal control system of institutions covered by the Legal Framework for Credit Institutions and Financial Companies, ensuring the existence of:

- an adequate control environment;
- a solid risk management system;
- an efficient information and communication system; and
- an effective monitoring process.

The Head of the Audit Division is appointed by the Board of Directors after obtaining the opinion from the Committee for Nominations and Remunerations and the technical opinion of the Audit Committee, reporting hierarchically to the Chairperson of the Board of Directors and functionally to the Audit Committee.

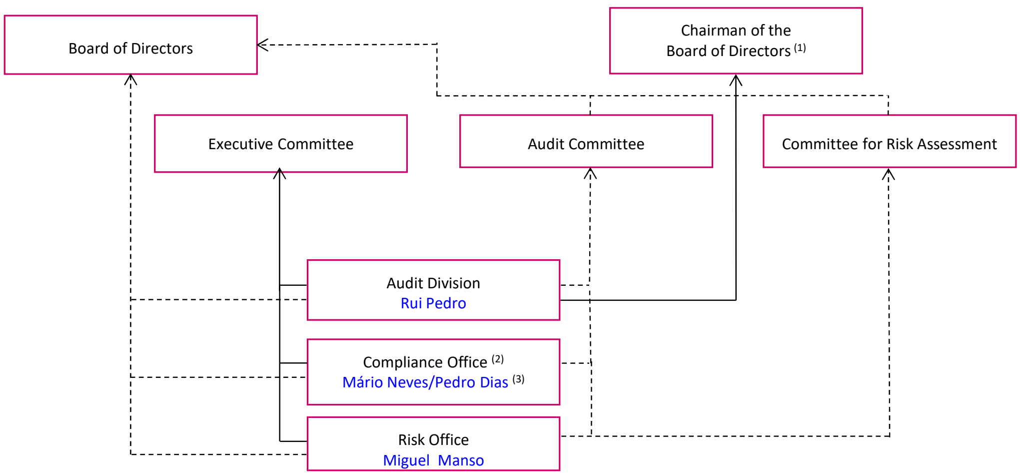
The Audit Division presents, on a regular basis, to the Executive Committee, to the Board of Directors and to its Chairperson, reports on the monitoring of the activity developed, in accordance with the periodicity defined at each moment, with information on the execution of the Activities Plan , main detected deficiencies, and respective recommendation and the status of the recommendations yet to be implemented.

Additionally, the Audit Division informs the Chairperson of the Board of Directors, the Chairperson of the Audit Committee and the Chairperson of the Executive Committee on issues of its responsibility which are of material relevance for the accomplishment of the mission of those bodies, namely on any deficiency identified and classified as of relevant risk.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

Currently the hierarchical and/or functional dependence of the Audit Division, Compliance Office and Risk Office in relation to other corporate bodies or committees is presented in the table below:



(1) Director responsible - Nuno Amado: Audit Div.; José Miguel Pessanha: Compliance Office and Risk Office
(2) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Commission for Corporate Governance, Ethics and Professional Conduct.
(3) On the date of this Report, the Compliance Office is Pedro Manuel Francisco da Silva Dias

—— hierarchical report

- - - - functional report

52. Other functional areas responsible for risk control.

Alongside the control areas which constitute the risks management system - the Risk Office and the Compliance Office (as defined in Chapter III of Notice 5/2008 of Banco de Portugal) - and the area with duties of assessment of the adequacy and efficacy of the internal control system - the Audit Division (as per article 22 of Chapter V of that same Notice), there is an information and communication system which supports decision-making and control processes, both at an internal and external level, for which the Accounting and Consolidation Division and the Research, Planning and Assets and Liabilities Management Division are responsible, which ensures the existence of substantive, current, timely and reliable information, enabling an overall and encompassing view of the financial situation, the development of the activity, compliance with the defined strategy and objectives, identification of the institution's risk profile, and performance and prospects of evolution of the markets.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, in accordance with the determinations and policies issued by the Executive Committee.

Hence, the Risk Office, Compliance Office, Accounting and Consolidation Division, Research, Planning and Assets and Liabilities Management Division, the Management Information Division, the Office for the Validation and Monitoring of Models, the Office for Regulatory and Supervision Monitoring and the Data protection Office ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at a Group level, both of accounting nature and relative to support to the management and risk monitoring and control, which should cover, namely:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- The identification and control of intra-Group operations; and
- assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.

Regarding credit risk, the Credit Division also performs risk assessment and control duties pursuant to its main competences:

- appraise and issue opinions or decisions on credit proposals submitted by the Bank's business areas, as well as credit restructuring proposals submitted by the Bank's recovery areas, pursuant to the competences defined in internal regulations;
- monitor and follow-up of the loan portfolio of Customers managed in the commercial areas, anticipating possible situations of default and promoting restructuring solutions whenever necessary and applicable;
- start up and/or participate in Bank-wide projects aimed at the improvement of credit and operating risk in the underlying internal processes/procedures, including opinions on products or services with credit risk;
- follow-up and support to the implementation of probability models (default, cure and scoring) for retail and automatic processes of Customer classification, risk-taking, portfolio monitoring, collection and recovery, as well as retention of Customers in Portugal and, when requested, in the operations abroad.

The Rating Division participates in the control of risks associated to loans, where its primary responsibility is the attribution of risk levels to Companies which are Bank Customers, assuring that they are assessed on an ongoing basis in an adequate manner. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely for: Small, Mid and Large Corporate, Real Estate Development, Project Finance, State Business Sector and Funds segments At the same time, the Rating Division systematically analyses the evolution of risk levels in order to assess the adequacy of the rating models used and identify matters for their fine-tuning.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity.

On this issue, see the information provided in the Annual Report 2018, in the chapter on Risk Management.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, see the information provided in the Annual Report 2018, in the chapter on Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors acquires adequate knowledge of the types of risks to which the institution is exposed and of the processes used to identify, assess, monitor and control these risks, as well as the legal obligations and duties to which the institution is subject, being responsible for ensuring that the Bank has effective internal control systems and promotes the development and maintenance of an appropriate and effective risk management system.

Hence, the management body of Banco Comercial Português, namely through its Executive Committee (and respective specialised commissions), Audit Committee and Committee for Risk Assessment:

- defines and reviews the overall and specific objectives with respect to risk profile or level of tolerance to risk and relative to the decision levels of the functional areas where these decisions are applicable;
- approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;
- verifies the compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the institution's activity, so as to enable the detection and correction of any failures;
- ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
- issues opinions on the reports prepared by the Risk Management and Compliance areas, namely, on the recommendations for the adoption of corrective measures;
- ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The management body is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting. Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

Regarding the Internal Control Report stipulated in Banco de Portugal's Notice 5/2008, in CMVM's Regulation 3/2008, and in article 245-A (1) (m) of the Securities Code, the supervision responsibilities of the Audit Committee and of the Statutory Auditor are:

- on an individual basis: issue of a detailed opinion substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/ adequacy of the Internal Control System, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of individual financial information (Financial Reporting);
- on a consolidated basis: issue of an opinion by the Group's parent company, substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/adequacy of the Control System, which should include a reflection on the coherence of the internal control systems of the branches/subsidiaries, including those abroad and off-shore establishments, where this opinion may be based on the respective opinions prepared for the effect by the supervisory bodies of each branch/subsidiary, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of consolidated financial information (Financial Reporting).

IV. Investor Support

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details.

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world – Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of four employees who share the Division's tasks in order to ensure the best service in market relations.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- monitoring the update of the evolution of the shareholder structure;
- representation of the Bank in conferences and other types of events targeting investors of debt or shares;
- collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2018, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the CMVM (Portuguese stock market regulator) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2018, the Bank issued over 300 press releases, of which 60 were related to privileged information.

The Bank participated in various events in 2018, having attended 6 conferences and 6 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings with investors.

Over the course of 2018, more than 300 meetings with investors were held, which continues to show the interest of investors in the Bank.

In order to deepen its relations with its shareholder base, the Bank maintained a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relations with Rating Agencies consisted of the annual meetings (Moody's on 9 March, DBRS on 23 April, S&P on 18 May and Fitch on 4 October), 16 conference calls with the 4 rating agencies, holding of 4 in-site meetings with each one of the rating agencies mentioned above, in response to requests for quarterly information and the review of the Credit Opinions, Press Releases and Comments issued by the Rating Agencies.

All the information of relevant institutional nature disclosed to the public is available on the Bank's website, in Portuguese and English, on the page with the following address: www.millenniumbcp.pt

d) Investor Relations Division contact information

Phone: + 351 21 113 10 84

Fax: + 351 21 113 69 82

Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0B, 2740-256 Porto Salvo, Portugal

E-mail: investors@millenniumbcp.pt

The company's website: www.millenniumbcp.pt

57. Market Liaison Officer

The Bank's representative for market relations until the time of preparation of this Report was Rui Pedro da Conceição Coimbra Fernandes, who is also Head of the Investor Relations Division.

Currently, the Bank's representative for market relations is Bernardo Roquette de Aragão de Portugal Collaço.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years. IRD (IPCG: I.1.1.)

During 2018, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. These requests were all handled and replied to, mostly within two business days. By the end of 2018, there were no outstanding requests for information relative to previous years.

V. Website

59. Address(es)

The Bank's website address is as follows: www.millenniumbcp.pt

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available.

The above information is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details.

The information on the identity of the members of the governing bodies is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

The information on the identity of the representative for market relations, the Investor Relations Division, respective duties and contact details are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements.

The information on the financial statements relative to each financial year, semester and quarter of the last ten years (pursuant to article 245.1 of the Securities Code) is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/Eventos.aspx

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). The publication is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/Eventos.aspx

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.

In addition to a specific page created every year on the portal (www.millenniumbcp.pt), another temporary page is created to support the General Meeting containing all the corresponding preparatory and subsequent information, including the call notice, which is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital represented and voting results relating to the preceding 3 years are available

The historical records, including the call notice, the share capital represented, the proposals submitted and results of the voting, relative to the last ten years are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

D. REMUNERATIONS

I. Competence for determination

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (CRP), pursuant to sub paragraphs a) and b) of article 14 of the Bank's Articles of Association and under the competence delegated, for the four-year period of 2018/2021, by the General Meeting, is the competent body to determine the remuneration of the governing bodies, including the members of the Executive Committee and the terms of the supplementary pensions due to retirement, old age or invalidity of executive directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations is also competent to submit, to the Bank's General Meeting, a statement on the remuneration policy for the Bank's governing bodies.

The Board of Directors, pursuant to article 7 (2.1.r) of its Regulations and as established in article 115-C (5) of the RGICSF, has exclusive competence to approve and review the Bank's remuneration policies and practices. In this function, it is assisted by the Committee for Nominations and Remunerations which formulates and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

Addressed to the Remuneration and Welfare Board (RWB) and the Committee for Nominations and Remunerations (CNR), KPMG conducted an independent and specific audit, carried out in abidance by the International Standard on Related Services and by Art. 8 (4) of the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012, on the remunerations that, during the 2018 financial year, were paid to members of the different governing bodies and Coordinating Managers that report directly to the Board of Directors and to the Executive Committee, having also requested and received a compliance statement issued by the Internal Audit Division.

In the Factual Conclusions Report issued pursuant to the validation of the remunerations established and received in 2018 by the holders of Bank's corporate offices and Coordinating Managers, KPMG concluded that the data reported to the RWB, CNR and Audit Committee was accurate and compliant and suited to the resolutions adopted by the corporate bodies with powers to do so.

II. Remuneration and Welfare Board

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor.

The Remuneration and Welfare Board is composed of three to five members, appointed at the General Meeting.

The Remuneration and Welfare Board was elected at the General Meeting held on 30 May 2018 to perform duties during the three-year period of 2018/2021, and has the following composition:

Chairman:	Jorge Manuel Baptista Magalhães Correia (Not independent)
Members:	Ana Paula Alcobia Gray (Not Independent)
	Norberto Emílio Sequeira da Rosa (Independent). He presented his renunciation to the position on February 2019

During 2018, the Committee held four meetings, received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

The Regulations of the Remuneration and Welfare Board are available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CRP_BCP.pdf

Normally either the members of the Remuneration and Welfare Board and the members of the Committee for

Nominations and Remunerations attend the Bank's General Meetings. In the 2018 financial year, two General Meetings were held. At the Annual General Meeting, held on May 30, all members of the Remuneration and Welfare Board and the members of the Committee for Nominations and Remunerations attended the meeting, with the exception of its Chairman.

At the General Meeting held on November 5, although the agenda did not include a related matter with remuneration of the corporate bodies and no shareholder requested the presence of the members of the Remuneration and Welfare Board, all members of this Board as well as the members of the Committee for Nominations and Remunerations attended.

All the members of the Remunerations and Welfare Board in functions are independent regarding the executive members of the administration body. The Remuneration and Welfare Board, to develop its competences in line with best international practices on remuneration matters, being able, in accordance with its Regulations, to use all technical means that it deems adequate, including resorting to external advisers, paid by the Bank, engaged Mercer Portugal, an independent company leading worldwide in the human resources area, for the provision of specialised technical advisory services, which identified a series of guideline principles for the definition of the remuneration policy for members of the governing bodies and material risk takers, in conformity with the guidelines disclosed by the national and international regulators, namely the EBA-European Banking Authority.

At the time of the engagement of Mercer Portugal, promoted by the Remuneration and Welfare Board, it was resolved, together with the Committee for Nominations and Remunerations, to ask this company to draw up a proposal complying with best practices on this theme, namely:

- Remuneration benchmark for the executive and non-executive members of the Board of Directors;
- update of the remuneration policy of the members of management and supervision bodies, senior staff or managers reporting directly to the executive members of the Board of Directors;
- revision of the Regulations for the Application of the Remuneration Policy and Welfare Regime of members of company's management and supervision bodies;
- estimation of the variable component of the remuneration within the scope of the Remuneration Policy of the executive members of the Board of Directors;
- support to the evaluation process of the members of the management and supervision bodies.

As neither this consultant nor any of its senior staff have privileged relations with the Board of Directors or any of its members, it is deemed that its engagement for the provision of the service, with the broad scope referred to in the preceding paragraph, can in no manner affect the independence of this consultant in relation to the Bank or its Board of Directors.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee.

The members of the Remuneration and Welfare Board have for various years performed duties in remuneration committees or equivalent bodies in other companies, which endows them with professional experience and suitable profiles concerning matters of remuneration policy, as confirmed in detail in their curricula, presented in Annex II.

III. Structure of remunerations

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards

The Remuneration and Welfare Board, after hearing the Committee for Nominations and Remunerations, submitted to the General Meeting of 30 May 2018, with a binding character, the Remuneration Model of the Board of Directors, including the Executive Committee, which was approved by 98.84% of the votes cast, being the meeting attended by shareholders or their representatives holding 62.99% of the share capital. The most relevant aspects are transcribed below:

1. Scope, structure and determination of the Remuneration

1.1. Executive Directors

The remuneration of the Executive Directors of BCP includes a fixed and a variable component.

The variable component is subdivided into two components, one annual (Annual Variable Remuneration - AVR) and a long-term one (Long-Term Variable Remuneration - LTVR)

1.1.1 Annual Fixed Remuneration

The fixed remuneration intends to adequately remunerate the function performed considering factors such as its nature and complexity, the required competences and the sustainability of the group's performance.

The annual fixed remuneration results from the payment of 14 monthly wages.

1.1.2 Variable Remuneration

The variable remuneration is attributed based on different degrees of accomplishments of previously approved quantitative and qualitative goals which are associated to objective, simple, transparent and measurable indicators. For that purpose, shall be taken into consideration, indicators related with the creation of value for the shareholder, solvency and profitability, capital requirements, efficiency and liquidity.

The definition of these goals should bear in mind the achievement of a balance between the Group's objectives and the individual ones.

The evaluation must be carried out according to an annual and pluri-annual framework ensuring that the evaluation process is based on the short and long-term performance and, whenever possible, while the term of office of the Executive Directors is underway.

The attribution of the variable remuneration is associated with the performance. Therefore, its value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that cannot exceed twice the fixed component of the remuneration. For that purpose, a maximum level of achievement is defined, from which the variable remuneration will not increase (cap).

The variable remuneration should be composed by a portion in cash and a portion in BCP shares or other securities of BCP, permitted by law.

At least half of the amount of the variable remuneration should be composed of the above mentioned securities. Notwithstanding, the Executive Director may choose to receive more than that or even the full amount of the variable remuneration in securities.

The payment of the variable remuneration will also observe the deferment rules and the reduction (malus) or reversion (claw-back) mechanisms mentioned above.

The variable remuneration, regardless of having already been paid and whether acquired rights have already been established, or not, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director participated in or was responsible for an action that resulted into significant losses for the Bank or ceased to comply with the adequacy and good repute criteria.

No guaranteed variable remuneration shall be granted, except when hiring a new Executive Director and only in the first year of activity and it will only be granted if the institution has a solid and strong capital base.

a) Annual Variable Remuneration (AVR)

The annual variable remuneration of each Executive Director may be paid in cash after the approval of the annual report to which it relates and/or in BCP shares or other BCP securities as permitted by law, all complying with the minimum thresholds and conditions set forth by law.

The payment of that remuneration is also conditioned to a set of conditions related with the Bank's sustained performance.

b) Long-Term Variable Remuneration (LTVR)

The long term variable remuneration of each Executive Director depends on the fulfilment of the Bank's long-term economic and financial objectives.

The LTVR applies to the period of the term-of-office, beginning on 1 January 2018. The payment is made in BCP shares or other BCP securities, as permitted by law which are granted to the beneficiaries depending on the compliance with the above mentioned conditions and indicators.

1.2. Non-Executive Directors

The remuneration of the non-executive members of the Board of Directors is exclusively composed of a fixed remuneration paid monthly (12 wages).

2. Other benefits

The practice of attributing benefits in terms of health insurance, credit card and mobile phones remains in effect, in line with what is attributed to the remaining Bank Employees.

The Executive Directors will be entitled to supplementary pension or early retirement regimes, as set forth by the Retirement Regulation of the Executive Directors of Banco Comercial Português (BCP).

3. Final Provisions

Executive Directors or under an exclusivity regime receive no additional compensation for the exercise of the respective functions.

The Directors must subscribe to a director bond in abidance by article 396 of the Companies Code. In addition, the Bank subscribes to a Directors & Officers insurance policy following market practices.

The Executive Directors or the Bank, on their behalf, are not allowed to use risk hedging mechanisms or similar mechanisms, as provided in article 115-E (15) of the Legal Framework for Credit Institutions and Financial Companies.

Considering that the remuneration of the Members of the Executive Committee is intended to directly compensate the activities they carry out directly at the Bank or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each Member of the Executive Committee will be deducted from their respective Annual Fixed Remuneration. It is the obligation and responsibility of each Executive Member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above."

According to the Remuneration Model of the Board of Directors, approved in May 30 2018 by the General Meeting of Shareholders, the variable remuneration, regardless of having already been paid and whether acquired rights have already been established, or not, is subject to reduction or reversion legal mechanisms whenever it is proven that the executive director participated in or was responsible for an action that resulted into significant losses for the Bank or ceased to comply with the adequacy and good repute criteria.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

In 2018, the remuneration effectively paid is the one indicated in item 77 and no variable remuneration was attributed. Therefore, items 70 to 75 doe not apply to Banco Comercial Português in the financial year to which this Report relates to.

71. to 75. Not applicable

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis.

The arrangement for retirement due to old age or invalidity of members of the Executive Committee is defined in article 17 of the Articles of Association, transcribed below, and in the document approved at the General Meeting held on 30 May 2018.

"1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a supplement to the retirement or disability pensions and the Bank may enter into insurance contracts in favour of such directors.

3. At the beginning of each term of office and by agreement with each director, the insurance policy may be

replaced by contributions to a pension fund of defined contributions.

4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, shall be established on a yearly basis by the Remuneration and Welfare Board.

5. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

6. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the applicable social security regime.

7. At the time of the retirement, the beneficiary may choose to redeem the capital.

8. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law."

No additional benefit is foreseen for directors in the event of early retirement.

An alteration to the Retirement Regulations for Executive Directors of the Bank contemplated the approval the approval for the attribution of an extraordinary contribution for the purposes of retirement supplement of the members of the Executive Committee. Thus, in the 2018 financial year the following retirements were paid:

Members of the Executive Committee (EC)	Beginning of functions	End of functions	Retirement Supplement (€)	Retirement Supplement - Extraordinary Contribution (€)	Total Retirement Supplements (€)	Income Tax withheld from Retirement Supplements (€)	Amount transferred to the Pension Fund (€)
Nuno Manuel da Silva Amado		24/07/2018	77,308.85	873,415.00	950,723.85	430,673.00	520,050.85
Miguel Maya Dias Pinheiro			117,433.31	698,732.00	816,165.31	368,090.00	448,075.31
Miguel de Campos Pereira de Bragança			103,999.98	698,732.00	802,731.98	337,135.00	465,596.98
João Nuno Oliveira Jorge Palma			103,999.98	203,797.00	307,796.98	136,657.00	171,139.98
José Jacinto Iglésias Soares		24/07/2018	56,309.59	611,390.00	667,699.59	295,122.00	372,577.59
José Miguel Bensliman Schorcht da Silva Pessanha			91,000.00	611,390.00	702,390.00	318,177.00	384,213.00
Maria da Conceição Mota Soares Oliveira Callé Lucas		24/07/2018	55,775.34	611,390.00	667,165.34	301,671.00	365,494.34
Maria José Henriques Barreto de Matos de Campos	24/07/2018		40,598.64	0.00	40,598.64	18,308.00	22,290.64
Rui Manuel da Silva Teixeira			91,000.00	611,390.00	702,390.00	318,177.00	384,213.00
			737,425.69	4,920,236.00	5,657,661.69	2,524,010.00	3,133,651.69

The Retirement Regulations of the Executive Dorectors is available on the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

IV. Disclosure of remunerations

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

In the financial year covered by this report no variable remuneration was paid and the annual value of the remuneration earned, in an aggregated and individual form, by the members of the Company's management bodies is presented in the following table:

Members of the Board of Directors and of the Executive Committee within the scope of the term-of-office 2018/2021

Executive Members of the Board of Directors (Within the scope of the term-of-office 2018/2021)	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A+B Remuneration of the Directors set by the RWB (€)	Income tax withheld (€)	Positions and/or Commissions Board of Directors	Audit Committee	Committee for Corporate Governance, Ethics and Professional Conduct	Committee for Nominations and Remunerations	Committee for Risk Assessment	Remuneration and Welfare Board
Nuno Manuel da Silva Amado	294,698.62	6,218.05	300,916.67	133,497.00	**Chairperson**					
Jorge Manuel Baptista Magalhães Correia	47,972.24	0.00	47,972.24	18,611.00	Vice-Chairperson					Chairperson
Valter Rui Dias de Barros	58,875.00	0.00	58,875.00	19,550.00	Vice-Chairperson	Member	Member			
Ana Paula Alcobia Gray	54,513.90	0.00	54,513.90	18,837.00	Director				Member	Member
Cidália Maria Mota Lopes	93,986.11	0.00	93,986.11	35,271.00	Director	Interim Chairwoman				
José Manuel Alves Elias da Costa	63,236.09	0.00	63,236.09	21,880.00	Director		Member	Chairperson	Member	
Julia Gu	43,611.09	0.00	43,611.09	10,901.00	Director					
Lingjiang Xu	82,708.37	0.00	82,708.37	31,154.00	Director		Chairperson	Member		
Teófilo Cesar Ferreira da Fonseca	67,597.24	0.00	67,597.24	27,353.00	Director			Member	Chairperson	
Wan Sin Long	54,513.90	0.00	54,513.90	13,627.00	Director	Member			Member	
	861,712.56	**6,218.05**	**867,930.61**	**330,681.00**						

Members of the Executive Committee (EC) (Within the scope of the term-of-office 2018/2021)	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A+B Remuneration of the Directors set by the RWB (€)	Income tax withheld (€)	Positions and/or Commissions Board of Directors	Executive Committee
Miguel Maya Dias Pinheiro	567,281.45	19,885.23	587,166.68	255,835.00	Vice-Chairperson	Chairperson
Miguel de Campos Pereira de Bragança	490,545.39	29,454.65	520,000.04	206,034.00	Director	Director Vice-Chairperson
João Nuno de Oliveira Jorge Palma	520,000.04	0.00	520,000.04	230,877.00	Director	Director Vice-Chairperson
Rui Manuel da Silva Teixeira	448,354.21	6,645.79	455,000.00	203,106.00	Director	Executive Director
José Miguel Bensliman Schorcht da Silva Pessanha	440,223.49	14,776.51	455,000.00	199,422.00	Director	Executive Director
Maria José Henriques Barreto de Matos de Campos	202,993.21	0.00	202,993.21	91,546.00	Director	Executive Director
	2,669,397.79	**70,762.18**	**2,740,159.97**	**1,186,820.00**		

Members of the Board of Directors and of the Executive Committee until the definitive end of the term-of-office 2015/2017

Members of the Board of Directors (Until the effective end of the term-of-office 2015/2017)	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A+B Remuneration of the Directors set by the RWB (€)	Income tax withheld (€)	Positions and/or Commissions Board of Directors	Audit Committee	Committee for Corporate Governance, Ethics and Professional	Committee for Nominations and Remunerations	Committee for Risk Assessment
António Vítor Martins Monteiro	105,000.00	0.00	105,000.00	43,575.00	Chairperson		Chairperson		
Carlos José da Silva	0.00	0.00	0.00	0.00	Vice-Chairperson			Chairperson	
Álvaro Roque de Pinho de Bissaia Barreto	35,000.00	0.00	35,000.00	12,250.00	Director			Member	Chairperson
André Magalhães Luís Gomes	29,166.69	0.00	29,166.69	8,778.00	Director		Member		Member
António Henriques de Pinho Cardão	29,166.69	0.00	29,166.69	11,228.00	Director			Member	Member
António Luís Guerra Nunes Mexia	0.00	0.00	0.00	0.00	Director		Member		
Jaime de Macedo Santos Bastos	40,833.31	0.00	40,833.31	14,084.00	Director	Member			
João Manuel de Matos Loureiro	78,750.00	0.00	78,750.00	32,676.00	Director	Chairperson			
Raquel Rute da Costa David Vunge	29,166.69	0.00	29,166.69	7,287.00	Director		Member		
	347,083.38	**0.00**	**347,083.38**	**129,878.00**					

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

In view of the provisions in the remuneration policy for members of the Board of Directors transcribed above in item 69, which establish that the net value of the remunerations earned annually by each Executive Director, working under an exclusivity regime, on account of duties performed in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, see the table above of item 77 which quantifies these deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

During the financial year to which this Report refers, no indemnity was paid or owed to former directors relative

Members of the Executive Committee (EC) (Until the effective end of the term-of-office 2015/2017)	A	B	A+B	Income tax withheld (€)	Positions and/or Commissions	
	Paid Directly by BCP (€)	Paid Through Other Companies (€)	Remuneration of the Directors set by the RWB (€)		Board of Directors	Executive Committee
Nuno Manuel da Silva Amado	372,096.43	14,447.92	386,544.35	168,560.00	Vice-Chairperson	Chairperson
José Jacinto Iglésias Soares	314,047.95	0.00	314,047.95	137,638.00	Director	Executive Director
Maria da Conceição Mota Soares Oliveira Callé Luca	278,876.71	0.00	278,876.71	125,804.00	Director	Executive Director
	965,021.09	**14,447.92**	**979,469.01**	**432,002.00**		

to their termination of office during the year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

See the table of item 77.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In defining the remuneration of the elected members of the Board of the General Meeting, the Remuneration and Welfare Board took into consideration, for the term of office that began in May 2017, the amounts paid for this position by the major listed companies based in Portugal and similar in size to BCP, having established the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 Euros.

V. Agreements with remunerative implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.

This issue is ruled by the provisos of article 403 (5) of the Companies Code. herein transcribed: "If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected. "

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid. (Article 245-A/1/l)) (article 245-A/1/l))

There are no agreements between the Company and members of the management board, directors, pursuant to number 3 of article 248-B of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law.

VI. Plans for the attribution of shares or stock options

85. Details of the plan and the number of persons included therein

Regarding the issues addressed in items 85 to 88, currently there are no plans with these features; hence, this chapter VI is not applicable to the Bank.

86. to 88. Not applicable

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

The members of the governing bodies as well as the holders of qualifying stakes and entities related to them are identified and marked with special alerts in the Bank's computer records.

The internal rules on granting credit foresees specific procedures for the progression of their proposal to the competent entities, in particular, their approval by the Board of Directors and the issue of a prior opinion of the Audit Committee pursuant to an opinion issued by the Audit Division relative to the compliance of the proposed transactions with the internal rules, legal and regulatory provisions, and all other applicable conditions.

Proposals relative to this particular group are submitted to the Audit Committee by the Executive Committee, which, in turn, receives the proposals from the Credit Commission.

This Commission's functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation (Service Order on Credit Granting, Monitoring and Recovery). Moreover, this commission also issues advisory opinions on credit proposals from Group subsidiary companies abroad.

The Credit Commission is composed of the totality of the members of the Executive Committee and may function with a minimum of three directors. One of them shall be responsible for the proponent area. Apart from these, the Risk Officer, the Compliance Officer, the Company's Secretary Office, the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas are also part of the Credit Commission. The Heads of the following Divisions are also members of this Commission: Credit, Specialised Monitoring, Legal Advisory and Litigation, Investment Banking, Real Estate Business, Rating, Specialised Recovery and Retail Recovery.

The Director, responsible for Risk , the Risk Officer, the Compliance Officer and the Head of Internal Audit do not have the right to vote, but may exercise the right to veto.

90. Details of transactions that were subject to control in the referred year.

In 2018, the Audit Division and Audit Committee of the Board of Directors controlled proposed operations of credit and contracting of products or services relative to members of the management and supervisory bodies and shareholders with stakes greater than 2% of the Banks' share capital and entities related to them, of a total value of approximately 5,208 million Euros. The indicated amount includes extensions and reviews of limits.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.

Any business to be conducted between the Company and owners of qualifying holdings or entities which are in any relationship with them, are the object of appraisal and exclusive deliberation by the Board of Directors, supported by analyses and technical opinions issued by the Audit Committee, which in turn take into account approvals given by the Credit Division, in the case of credit operations, or by the Procurement Division and/or other areas involved in the contract, in the case of contracts for the supply of products and services. All the operations, regardless of their respective amount, and according to item 10 above, require a prior opinion issued by the Audit Division in relation to the legal and regulatory compliance of the proposed operations.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, see the information provided in the Annual Report for 2018, in appraisal 52 of the Notes to the Consolidated Financial Statements.

Part II - Assessment of Corporate Governance

1. Details of the Corporate Governance Code adopted

Pursuant to article 2 of CMVM Regulation 4/2013 and article 245-A, number 1, subparagraphs o) and p) of the Securities Code, the Bank, for the financial year to which this Corporate Governance Report refers, declares, in compliance with the CMVM Circular: "The supervision of the recommendation regime of the Corporate Governance - new rules and procedures for 2019, from 11/01/2019", which welcomed the Corporate Governance Code of IPCG – Instituto Português de Corporate Governance, with a voluntary adhesion, without a mandatory nature, based on principles and recommendations and also on the comply or explain rule.

The Corporate Governance Code of IPCG is available at the IPCG website at:

https://cgov.pt/regulamentacao/codigos-de-governo

Concerning the above mentioned Circular, and in addition to the rest of this Part II, refer to the tables in the "Introduction" to this Report.

Chapter I – General Part

General principle:

Corporate governance should promote and optimise the performance of the companies, as well as the capital market, and foster the confidence of investors, employees and general public in terms of management and supervision quality and in the sustainable development of the companies.

I.1. Company's Investor Relations and Information

Principle:

Companies and, in particular, their directors must treat shareholders and other investors in an fair manner, ensuring, in particular, mechanisms and procedures for the appropriate treatment and disclosure of information.

Recommendations:

I.1.1. The company must create mechanisms able of ensuring, in a strict and appropriate manner, the production, processing and the timely disclosure of information to its corporate bodies, investors and remaining stakeholders, the financial analysts and to the market in general.

See the information presented in items 56, 57 and 58 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

I.2. Diversity in the composition and functioning of the corporate bodies

Principle:

I.2.A. The companies must ensure diversity in the composition of the respective corporate bodies and the adoption of individual merit criteria in the respective appointment processes, which pertain exclusively to the shareholders.

I.2.B. The companies must have straightforward and transparent decision-making structures and ensure maximum efficiency in the functioning of its corporate bodies and commissions.

Recommendations:

I.2.1. The companies must establish criteria and requirements regarding the profile of new members of the corporate bodies which suit the function to perform. Thus, in addition to individual attributes (such as competence, independence, integrity, availability and experience), those profiles must consider diversity requirements, notably gender, which may contribute to improve the performance of the corporate body and to the achievement of a balanced composition.

See the information presented in items 16, 17, 19 and 33 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

I.2.2. The management and supervision bodies and their internal commissions must obey to internal regulations – namely on the exercise of the respective attributions, chairmanship, periodicity of meetings, functioning and duties of their members - and detailed minutes of the respective meetings must be written-up.

See the information presented in items 22, 27 and 34 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

I.2.3. The internal regulations of the management and supervision bodies and of their internal commissions must be fully disclosed on the company's website.

See the information presented in items 22, 34 and 61 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

I.2.4. The composition, the number of annual meetings of the management and supervision bodies and of its internal commissions must be disclosed through the company's website.

See the information presented in items 21 - Audit Committee and 21 - Executive Committee 23, 27, 35 and 67, of Part I of this Report.

Declaration of Compliance: COMPLIANT

I.2.5. The Company's regulations must safeguard the existence and operation of mechanisms for the detection and prevention of irregularities, as well as the adoption of a policy on communication of irregularities (whistleblowing), which guarantees adequate means for its communication and treatment, safeguarding the confidentiality of the given information and the identity of the notifier, whenever requested.

See the information presented in item 49 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

I.3. Relation between corporate bodies

Principle:

Members of the corporate bodies, above all the Directors, should create the conditions so that, as far as each body's responsibilities are concerned, they can ensure that weighted and efficient measures are taken, and that the various corporate bodies act in a harmonious, articulated way and with adequate information to the exercise of their functions.

Recommendations:

I.3.1. The articles or other equivalent means adopted by the company must establish mechanisms to ensure that, within the limits of applicable legislation, members of the management and supervisory body are allowed to permanently access all information and employees of the company for performance assessment, status and prospects for the development of the company, including, in particular, the minutes, supporting documentation of decisions that were made, call notices and filing meetings of the executive management body, without prejudice of access to any other documents or persons to whom clarifications may be requested.

According to article 18 of the Bank's Articles of Association, Minutes shall always be written up concerning meetings of the company's corporate bodies, signed by all the members that attended and containing, apart from identification data, the resolutions adopted and the votes that were cast. As in this statutory provision, also the Regulations of the different specialised Committees of the Board of Directors, including the Executive Committee, establish the obligation to draw up minutes of all meetings of the committees. The documentation supporting the deliberations and topics addressed at the meetings of each of the committees should be filed together with the minutes of the respective meeting, for a better understanding of the the decisions that were taken.

In accordance with the provisions of the Regulations of the Board of Directors and each of its specialized committees, in the article relating to "Meetings", documents supporting the meetings should be sent to the participating directors at least five days in advance in relation to the date set for each meeting. The Bank keeps available, during the term of office of its members, all the agendas and support material for the meetings, as well as the legislation, internal regulations and other relevant documentation, on an online platform called "Diligent Boards".

The regulations of the Board of Directors and of the other Committees of the Board of Directors are available on the internal portal and at the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

See the information presented in item 22 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.3.2. Each body and committee of the company must ensure, in a timely and adequate manner, the flow of information, from the respective call notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.

See the information presented in the previous item and in item 22 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.4. Conflicts of interest

Principle:

Existing or potential conflicts of interest between members of corporate bodies or committees and the company, should be prevented. It must be ensured that the member in conflict does not interfere in the decision-making process.

Recommendations:

I.4.1. An obligation should be put on members of corporate bodies and committees to inform, in a timely manner, their respective body or committee of the facts that may constitute or give cause to a conflict between their interests and the company's interest.

The Bank has a Group Code (GR0038) that defines the fundamental principles and processes adopted for the identification and management of conflicts of interest occurring within the Group.

The Group Code mentioned above implements in the Bank and in Group BCP, in particular, the guidelines issued by the European Banking Authority (EBA/GL/2017/11) on internal government, identifies the control process to allow for an effective and prudent management of conflicts of interest at an institutional or personal level, including segregation of functions, information barriers and the specific process of transactions with the so-called "related parties", in order to simultaneously defend and protect the interests of all stakeholders and those of the Bank and of the Group.

The Group Code also formalizes the principles of governance applicable within the scope of the provision of services and investment activities and ancillary services identified respectively in Articles 290 and 291 of the Securities Code and formalizes the principles of governance applicable internally, in the scope of the policy for the management of conflicts of interest.

The Compliance Office is responsible for the development of the approaches and methods that allow for the identification of real or potential conflicts of interest, in compliance with the Conflicts of Interest Policy. The Compliance Office, at least once a year, carries out a global analysis to identify and assess the materiality of situations of conflicts of interest at an institutional level and reports to the Executive Committee and to the Audit Committee its respective findings, identifying the measures necessary to correct the situations therein identified.

As in the case of the Group Code, BCP's Group Code of Conduct also mandatorily indicates that members of the management and supervisory bodies, as well as employees, should avoid any situation likely to give rise to conflicts of interest with their functions so that they will be able to act with complete independence of mind, impartiality and exemption and that the members of the management and supervisory bodies can not intervene in the appraisal and decision-making process on transactions, professional situations of employees and procedures for the procurement of assets and services, in which the risk of conflicts of interest may occur.

The Code of Conduct is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/codigo-conduta.pdf

The Board of Directors in its Regulations has delegated powers on the Audit Committee to decide on work plans for the identification and resolution of conflicts of interest and the detection of potential illegalities and has also delegated powers on the Committee for Corporate Governance, Ethics and Professional Conduct to ensure effective prevention of conflicts of interest.

See the information presented in items 20, 89, 90 and 91 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.4.2. Procedures should be adopted to ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, the committee or its members.

The Bank has favoured the interaction between the independence of each member's behaviour and the principle of being independent in the face of conflicts of interest that create obstacles to the ability to perform their duties in an independent and objective way, and for this purpose, the Board of Directors has in its Regulation, consecrated that any member of the Board of Directors who accumulates with his/her position, a management function in an enterprise which carries on a competing activity with that pursued by the Bank, or pursued by an entity belonging to Group BCP or a company in which the Bank holds a significant stake, is prevented from accessing any privileged or sensitive documentation related to the competing company.

The member of the Board of Directors should not participate in the debate or deliberation of any content related to a competing company of the Bank, of the Group or a company in which the Bankholds a significant stake, with which he/she is related.

The Regulations of the Board of Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_Conselho-Administracao.pdf

See the information presented in item 20 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.5 Transactions with related parties

Principle:

Due to the potential risks involved, transactions with related parties must be justified by the interests of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.

Recommendations:

I.5.1. The management body should define, with binding prior opinion of the supervisory body, the type, scope and minimum value, individual or aggregate, of the transactions with the related parties that: (i) require the prior approval of the management body; (ii) and those that, because they are of a higher value, also require a prior favourable opinion from the supervisory body.

The Board of Directors' Regulations establishes the obligation to obtain prior opinion from the Audit Committee related to all credit proposals involving members of the corporate bodies, shareholders holding more than 2% of the Bank's capital and natural or legal persons, related to one or the other. The approval of these transactions is of the exclusive responsibility of the Board of Directors.

The Regulations of the Board of Directors also establish, with respect to the same entities, the conditions that require that contracts to be signed with these entities are also subject to mandatory prior opinion of the Audit Committee, and such contracts must also be submitted for approval by the Board of Directors.

See the information also presented in items 37, 89, 90 and 91 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.5.2. The management body should, every six months, report to the supervisory board all the businesses covered by Recommendation I.5.1.

See the information presented in items 89, 90 and 91 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

Chapter II – Shareholders and General Meeting

Principles:

II.A. The proper involvement of shareholders in corporate governance is a positive factor of corporate governance, as an instrument for the efficient performance of the company and for achieving the social purpose.

II.B. The company should promote the personal participation of the shareholders in General Meetings, as space of communication of the shareholders with the corporate bodies and committees and of reflection about the company.

II.C. The company should also allow the participation of shareholders in the General Meeting using electronic means, postal ballot and, in particular, electronic vote, unless, because of the associated costs, it becomes disproportionate.

Recommendations:

II.1. The company should not set an excessively large number of shares necessary to give the right to a vote, and should state in the governance report its option whenever it implies a deviation from the principle that each share corresponds to one vote.

See the information presented in item 12 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

II.2. The company should not adopt mechanisms that hinder the adoption of resolutions by their shareholders, in particular establishing a deliberative quorum higher than that established by law.

See the information presented in items 12 and 14 of Part I of the current Report, considering that the explanation put forward is such as to satisfy positively the "comply or explain" principle.

Declaration of Compliance: Non COMPLIANT but explained

II.3. The company must implement adequate resources to exercise the right to use correspondence vote, including by electronic means.

See the information presented in the first part of item 12 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

II.4. The company must implement adequate means for the participation of shareholders in the meeting by telematic means.

The company has not implemented the adequate channels for the shareholders' participation in the meeting by electronic means, since it was considered that, the cost and safety factors versus the shareholders' foreseeable adhesion to this channel, meant that the reasoning was not in favour of the implementation of this type of voting.

It should be noted that the Bank provides its shareholders with a platform for voting by e-mail, and in the last 10 years, the highest number of shareholders who have resorted to this method of voting in a single Assembly was 8. Considering the same period, the conclusion is that the average number of voters per Assembly was less than 3 shareholders.

Although this alternative has not been requested by any shareholder, in the period in question, it is the intention of the bank to consider this proposal in the future, but there is no ongoing activity or an established time frame for such.

The grounds given above are considered enough to comply positively with the "comply or explain" principle.

See the information presented in the first part of item 12 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

II.5. Articles of association of companies which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.

See the information presented in items 5 and 13 of Part I of the current Report.

Declaration of Compliance: NON COMPLIANT

II.6. Measures should not be adopted if they determine payments or the incurrence of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of Directors.

See the information presented in item 4 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

Chapter III - Non-Executive Management and Supervision

Principles:

III.A. The members of corporate bodies with functions of non-executive management and supervision must exercise, in an effective and judicious manner, a supervisory and defiant function in relation to the executive management for the full accomplishment of the social purpose, and this action must be complemented by committees in central areas of corporate governance.

III.B. The composition of the auditing and supervisory body and all non-executive directors should provide the company with a balanced and adequate diversity of skills, knowledge and professional experience.

III.C. The supervisory body should develop a permanent supervision of the company's management, also with a preventive goal, accompanying the activity of the company and, in particular, decisions of paramount importance for the company.

Recommendations

III.1. Without damaging the legal functions of the chairperson of the Board of Directors , if he/she is not independent, the independent directors must appoint amongst them a coordinator (lead independent director) to, namely: (i) act , whenever necessary, as interlocutor with the chairperson of the board of directors and with the remaining directors; (ii) endeavour that they all have the conditions and means necessary for the exercise of their functions; and (iii) coordinate them in the assessment of the performance by the administration body as foreseen in recommendation V.1.1.

The company does not accept the recommendation because the rules of the Board, as well as the characteristics and powers of Independent Directors, namely concerning the functions they perform in the different Board Committees, show that in practice their autonomy is assured.

Independent Directors have never mentioned the need or even identified an advantage in having a coordinator.

The grounds given are considered to be enough to comply positively with the "comply or explain" principle.

Declaration of Compliance: Non COMPLIANT but explained

III.2. The number of non-executive members of the administrative body as well as the number of members of the supervisory board and the number of members of the Financial Matters Committee should be compatible with the size of the company and the complexity of the inherent risks of its activity, but sufficient to ensure that they can efficiently carry out the tasks entrusted to them.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.3. In any case, the number of non-executive directors must exceed that of executive directors.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.4. Each company must include a number not less than one-third but always plural, of non-executive directors who meet the requirements of independence. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to:

i. Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company;

ii. Having been an employee of the company over the last three years or of a company which is in a controlling or group relationship;

iii. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;

iv. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a director;

v. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes;

vi. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.5. The provisions of paragraph (i) of recommendation III.4 shall not preclude the qualification of a new director as independent if, between the termination of his duties in any company body and his new designation, at least three years have elapsed -off period).

See the information presented in item 18 of Part I of the current Report. and Recommendation III.4.

Declaration of Compliance: NOT-APPLICABLE

III.6. Non-executive directors should participate in the definition, by the management body, of the strategy, main policies, corporate structure and decisions that are considered strategic to the company by virtue of their amount or risk, as well as in the assessment of their compliance.

Reference should also be made to the information provided in item 21 - Board of Directors of Part I of the current Report.

The Bank's Articles of Association and the Regulations of the Board of Directors are available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/estatutos_BCP.pdf

Declaration of Compliance: COMPLIANT

III.7. The general and supervisory board should, within the framework of its legal and statutory powers, collaborate with the executive board of directors in defining the strategy, main policies, corporate structure and decisions that should be considered strategic for the company, due to its amount or risk, as well as in the assessment of their compliance.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.8. In compliance with the powers conferred upon it by law, the supervisory body should, in particular, monitor, assess and give opinion on the strategic guidelines and risk policy defined by the management body.

According to the Bank's Articles of Association, the Committee for Risk Assessment, follows and monitors the company's risk strategy and appetite and advises the Board of Directors on the strategy and policies regarding risk assumption, management and reduction to which the Bank is or may be subject and the Audit Committee, as the Bank's supervising body, is responsible for overseeing compliance with the law and the bank's articles of association and is responsible in supervising the Bank's management.

See, concerning this matter, the information presented in items 21 - Audit Committee and 37, of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.9. Companies must establish specialized internal committees that are appropriate to their size and complexity, covering, separately or cumulatively, matters of corporate governance, remuneration and performance appraisal, and appointments.

See, concerning this matter, the information presented in items 27 and 29 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.10. The Audit Committee, Supervisory Board and Audit Board should issue statements on the work plans and resources allocated to the internal audit services and to the services which strive to ensure compliance with the regulations applied to the company (compliance services), and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential illegalities.

The structures specifically connected to the Risk Office, Compliance Office and Internal Audit (Audit Division) which is structured in three functional areas and a support unit, with an activity scope that encompasses all relevant aspects of the Bank's activity, are equipped with the technical and human resources suitable to the size of the Bank, as well as to the degree of complexity and magnitude of the risks inherent to the Bank's various activities - business and business support.

These structures, on the other hand, are designed to operate within the scope of an extensive volume of regulation - both external and internal - resulting from legislation aimed at defining the bank's activity within the limits of prudence, security and control defined by regulators and the bank's management body.

Thus, in allocating resources to the areas mentioned, the Bank adopts the principle of proportionality, matching the mobilized resources to the size and granularity of risks and other constraints of its activities, in a perspective of effectiveness, business sustainability and scrupulous compliance with the established regulation.

The number of employees whose functions are carried out in accordance with the highest standards of independence, objectivity, impartiality, integrity and professional expertise, in each of the 3 areas specifically involved in the functions analysed here, on 31/12/2018 was as follows :

- Risk Office: 49
- Compliance Office: 31
- Audit Division: 47

See, concerning this matter, the information presented in item 50 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

III.11. The supervisory body and the financial committees should oversee the effectiveness of systems and risk management, internal control and internal audit, and propose any adjustments that may prove necessary.

See, concerning this matter, the information presented in items 37 and 50 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.12. The Supervisory Body should issue an opinion on the work plans and resources allocated to the internal control, including control of compliance with the regulations applied to the company (compliance services) and of internal audit, and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.

See, concerning this matter, the information presented in items 37 and 50 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

Chapter IV - Executive Management

Principles:

IV.A. As a way to increase the efficiency and quality of the performance of the management body and the suitable flow of information to this body, the day-to-day management of the company must belong to executive directors with the appropriate proficiency, skills and experience, that their function requires. Executive management is responsible for managing the company, pursuing the goals of the company and aiming to contribute to its sustainable development.

IV.B. In determining the number of executive directors, the size of the company, the complexity of its activity and its geographical dispersion must be taken in to account, in addition to the costs and the desirable agility in the way the executive management works.

Recommendations

IV.1. The management body should approve, through internal regulations or through an equivalent means, the working regime of executives and their performance in executive functions in entities outside the group.

See, concerning this matter, the information presented in item 21 - Executive Committee, of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

IV.2. The administration body must assure that the company acts in accordance with its objectives, and should not delegate its powers, namely, with respect to: i) definition of the strategy and general policies of the company; ii) definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special features

See, concerning this matter, the information presented in item 21 - Board of Directors of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

IV.3. The management body should set risk-taking goals and ensure that they are fulfilled.

See, concerning this matter, the information presented in item 21 - Board of Directors of Part I of the current Report, and Recommendation IV.4. following.

Declaration of Compliance: **COMPLIANT**

IV.4. The supervisory body should organize itself internally by implementing periodic control mechanisms and procedures to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body

The Board of Directors establishes objective regarding the assumption of risks by mean of the formal approval of the Risk Appetite Statement (RAS – "Risk Appetite Statement ") of the Bank.
The "Risk appetite statement" incorporates a set of key indicators relating to the identified material risks and their acceptable levels of risk (tolerance levels). These levels of tolerance:

- constitute maximum risk assumption objectives and are, in turn, developed and discharged "in cascade" and in greater detail to the risk limits that are part of the institution's risk policy and materialized in the internal rulings documentation;
- are established at two levels: an alert level, prior to the maximum permissible value and an absolute "break" level, which require corrective measures if they are reached.

The Board of Directors monitors and analyses - on a monthly basis, through its Executive Committee (EC) and the Committee for Risk Assessment (CRA) bimonthly - the evolution of the RAS indicators, against the established limits, thus acting in accordance with that evolution, whenever the indicators in question reach alert or break levels.

In turn, Audit Committee of the BofD supervises the application of RAS in order to ensure that the risks actually taken are at compatible levels with the RAS and if there are deviations, the EC and/or the BofD shall take the necessary corrective measures to mitigate risk levels, to ensure that RAS is complied with.

See, concerning this matter, the information presented in item 21 - Audit Committee, of Part I of the current

Report.

Declaration of Compliance: **COMPLIANT**

Chapter V - Performance Evaluation, Remuneration and Nominations

V.1. Annual Performance Evaluation

Principle:

The company should promote the evaluation of the performance of the executive body and its members individually and also of the overall performance of the management body and of the specialized committees established within it.

Recommendations:

V.1.1. The management body should evaluate annually its performance as well as the performance of its committees and of the delegated directors, taking into account the compliance with the company's strategic plan and budget, risk management, internal performance of the management and of its committees, as well as the relationship between corporate bodies and committees.

See, concerning this matter, the information presented in items 24 and 25 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.1.2. The supervisory body must supervise the management of the company and, in particular, evaluate annually the compliance with the company's strategic plan and budget, risk management, the internal functioning of the management body and its committees, and the relationship between bodies and committees of the company.

See, concerning this matter, the information presented in items 24, 25 and 38 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.2. Remunerations.

Principle:

The remuneration policy of members of management and supervision bodies must allow the company to attract, at a reasonable economic cost for their situation, qualified professionals, to induce the alignment of interests with those of the shareholders - taking into account the wealth effectively created by the company , the economic situation and the market situation - and to constitute a factor for the development of a culture of professionalisation, promotion of merit and transparency in society.

Recommendations:

V.2.1. The establishment of remunerations should be made by a committee whose composition ensures its independence from management.

See, concerning this matter, the information presented in items 66 and 67 of Part I of the current Report.

Considering the specific rules that regulate this matter with regard to Credit Institutions, namely the provisions of Articles 115-b to 115-i of the Legal Framework for Credit Institutions and Financial Companies, and EBA/GL/2015/22 of June 27, 2016, this recommendation should be considered as not applicable.

Declaration of Compliance: Not applicable

V.2.2. The remunerations commission must approve, at the beginning of each term-of-office, the making and confirm, every year, the remuneration policy of the members of the corporate bodies and commissions of the company, wherein the respective fixed components are established and, regarding the executive directors or directors temporarily in charge of executive tasks, if there is a

variable component of the remuneration, the respective criteria for attribution and measurement, the limitation mechanisms, the mechanisms for the deferment of the payment of the remuneration, and the remuneration mechanisms based on options or shares of the company itself.

On this matter, see the information presented in items 27-b, 66, 67 and 69. of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.2.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, should also contain:

See, concerning this matter, the information presented in items 69 and 81 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

i. The total remuneration broken down by the different components, the relative proportion of the variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of society, and information on how performance criteria were applied.

See, concerning this matter, the information presented in items 70, 77 and 79 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

ii. The remunerations from companies part of the same group;

See, concerning this matter, the information presented in items 77 and 78 of Part I of the current Report.

Iii. The number of shares and of options on shares granted or offered and the main conditions for the exercise of the rights, including price and the date of that exercise and any alteration in those conditions;

See, concerning this matter, the information presented in items 70 and 85 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

Iv. Information of the possibility of requesting the return of a variable remuneration;

See, concerning this matter, the information presented in items 69, 70 and 80 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

v. Information on any deviation from the procedure for implementing the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and an indication of the specific elements to be waived;

There was no deviation from the approved remuneration policy, which was validated by the Committee for Nominations and Remunerations based on the opinions of theInternal Audit Division and of the Independent Auditor.

See, concerning this matter, the information presented in item 66 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

c) Information on the payability or non-payability of amounts relative to the termination of duties of directors.

See, concerning this matter, the information presented in item 80, of Part I of the current Report, and

Recommendation V.2.4 following.

Declaration of Compliance: **COMPLIANT**

V.2.4. For each term of office, the remuneration committee should also approve the pension scheme of directors, if the articles will allow it, and the maximum amount of any compensation to be paid to the member of any body or committee of the company in case they leave office.

See, concerning this matter, the information provided in items 69, 76, 80, 83 and 84 of Part I of the current Report and the following recommendation.

Declaration of Compliance: **COMPLIANT**

V.2.5. With the purpose to provide information or clarification to the shareholders, the chairman or, in his / her absence, another member of the remuneration committee shall be present at the annual general meeting and any other meetings if the respective agenda includes a matter related to the remuneration of the members of the bodies and committees of the company or if such presence has been requested by shareholders

See, concerning this matter, the information presented in item 67, of Part I of the current Report, and Recommendation V.2.4 above.

Declaration of Compliance: **COMPLIANT**

V.2.6. Within the budgetary constraints of the company, the remuneration committee must be able to freely decide on the contracting, by the company, of the consultancy services necessary or convenient for the performance of its duties. The Remuneration Committee should ensure that the services are provided with independence and that the respective providers will not be hired for the provision of any other services to the company itself or to other companies that are in a control or group relationship without the express authorization of Committee.

See, concerning this matter, the information presented in items 27-b and 67 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.3. Remuneration of Directors

Principle:

Directors should receive compensation:

(i) That adequately remunerates the responsibility assumed, the availability and the competence placed at the service of the company;

(ii) That guarantees a line of conduct aligned with the long-term interests of the shareholders, as well as others that they expressly define; and

(iii) that rewards performance.

Recommendations:

V.3.1. Bearing in mind the alignment of interests between the company and executive directors, a portion of their remuneration should be of a variable nature so as to reflect the sustained performance of the company and does not encourage excessive risk-taking.

See, concerning this matter, the information presented in item 70 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.3.2. A significant part of the variable component must be partially deferred over time for a period of not less than three years, associating it with the confirmation of the sustainability of performance, under the terms defined in the company's regulations.

See, concerning this matter, the information presented in item 70 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.3.3 When variable remuneration comprises options or other instruments directly or indirectly dependent on the value of the shares, the beginning of the exercise period shall be deferred for a term of not less than three years.

See, concerning this matter, the information presented in item 70 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.3.4. The remuneration of the non-executive directors should not include any component whose value depends on the performance or value of the company.

See, concerning this matter, the information presented in item 69 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.3.5. The company should have the appropriate legal instruments so that the termination of functions before the term of office does not directly or indirectly result in the payment to the director of any amounts other than those set forth by the law, and should explain the legal instruments adopted in the corporate governance report.

See, concerning this matter, the information presented in items 83 and 84 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.4. Nominations

Principle:

Regardless of the appointment procedure, profile, expertise and curriculum of the members of the corporate bodies and senior managers, they should be suitable to the performance of the function.

Recommendations:

V.4.1. The company should, under such terms as it deems appropriate, but in a manner that can de demonstrated, promote that proposals for the election of members of corporate bodies are accompanied by a justification on the suitability of the profile, expertise and curriculum to the function of each candidate.

On May 30, 2018, the General Meeting of Shareholders approved by a majority of 99.71% of the votes cast the internal policy for the selection and evaluation of the adequacy of the members of the management and supervision bodies, which includes the "Succession Plan for the Bank's Board of Directors", which establishes, among others, the following aspects:

- Power to elect the members of corporate bodies;
- selection policy;
- composition of the Board of Directors;
- specific and minimum requirements for the exercise of management and supervision functions;
- specialized committees of the Board of Directors

The Succession Plan for the Bank's Board of Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/2018/Ponto-6-PT.pdf

The Committee for Nominations and Remunerations, when evaluating the candidates for members of the corporate bodies, takes into account the guidelines of the Bank Succession Plan, analysing the curriculum, academic, professional and experience of each of the candidates in the light of the requirements of the Guide to fit and proper assessments of the members of members of the corporate bodies published by the European Central Bank in May 2018 and the ESMA and EBA Guidelines on adequacy of members of the management bodies and key function holders that came into force in June 30, 2018. In the aforementioned process of evaluating candidates, the Committee for Nominations and Remunerations also complies with the requirements imposed by the Banco de Portugal, namely Banco de Portugal instruction 23/2018 of November 5, 2018.

The authorization process for the exercise of the functions of the members of the management and supervisory bodies of the institutions, the Bank included, should be subject to the supervision of Banco de Portugal and the European Central Bank, and therefore consequences of the election by the General Meeting of Shareholders of the members of the corporate bodies, may be suspended and subject to obtaining the authorization of the European Central Bank to the performance of functions.

The curricula of candidates for members of the management and supervisory bodies and other documentation that, according to the law are given to shareholders, are available on the Bank's website, on the page with the following address.

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/2018/Ponto-8b-PT.pdf

See, concerning this matter, the information presented in item 17 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.4.2. Unless the size of the company does not justify it, the function of monitoring and supporting appointments to senior management positions should be attributed to a Committee for Nominations.

See, concerning this matter, the information presented in item 50-b of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.4.3. This commission includes a majority of independent non-executive members.

See, concerning this matter, the information presented in items 17 and 27-b of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.4.4. The Committee for Nominations should make its terms of reference available and should, to the extent of its competences, foster transparent selection procedures that include effective mechanisms for identifying potential candidates, and that those who have the greatest merit, are better suited to the requirements of the function, and promote within the organization adequate diversity including gender, should be the ones chosen for the proposal.

The Committee for Nominations and Remunerations is firmly convinced that the choice of the members of the corporate bodies pertains exclusively to shareholders who, as owners of the capital, should not alienate the right of choice of persons who, at any moment, they consider to be more suitable to manage their assets. Aware that there are other interests to be safeguarded beyond those of the shareholders, the Committee for Nominations and Remunerations evaluates the candidates that are proposed by the shareholders by means of clear and transparent rules, namely those contained in the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018 and the ESMA and EBA Guidelines on adequacy of members of the management bodies and key function holders that came into force in June 30, 2018, as well as the Instruction from Banco de Portugal nr. 23/2018 of 5 November.

It is therefore as a result of such evaluation, and only when it is positive, that the Committee for Nominations and Remunerations requests the Banco de Portugal/European Central Bank a decision regarding the authorization for the elected or appointed directors to carry out their duties.

It should also be noted that this evaluation is reviewed annually or whenever any fact justifying is brought to the attention of the Committee for Nominations and Remunerations.

See, concerning this matter, the information presented in item 17, of Part I of the current Report, and Recommendation V.4.1.

Declaration of Compliance: **COMPLIANT**

Chapter VI – Risk Management

Principle:

Based on the medium and long-term strategy, the company must establish a system of risk management and control and internal audit that allows to anticipate and minimize the risks inherent to the activity.

Recommendations:

VI.1. The Board of Directors should discuss and approve the company's strategic plan and risk policy, including the formulation of acceptable risk levels.

The Company's risk policy is written down on a large set of internal regulations (about 80) with different hierarchies and level of detail. The documentation in question contains the definitions of risk management and control approved by the Board of Directors, at each moment, and is reviewed whenever necessary and at least every two years. Together, these documents materialize the institution's risk policy.

The internal regulations of a higher level, in the document hierarchy (Group Codes) are approved by the Board of Directors or by the Executive Committee, with the first being responsible for approving Group Codes of a more strategic nature or associated with risk or audit.

In addition, both the risk policy and the "Risk Strategy" (a document approved annually by the BofD and which defines the lines of action to be developed to mitigate and control the risks considered as material) are based on and derive from a formal risk identification and risk assessment process that is carried out each year under the ICAAP (Internal Capital Adequacy Assessment Process).

The results of the annual risk identification process are also the basis for the formal updating of the Risk Appetite Statement (RAS), which consists of a set of key indicators related to the identified material risks and their respective levels of risk deemed acceptable. RAS is also approved by the Board of Directors and its indicators (and tolerance levels) are then developed discharged "in cascade" - and with specific details - to the risk limits included in the institution's risk policy and materialized in the internal rulings documentation, as referred to above.

See, concerning this matter, the information presented in items 27 a) and 54 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

VI.2. Based on its risk policy, the company must establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity; (ii) the probability of their occurrence and their impact; (iii) the instruments and measures to be adopted with for the purpose of their mitigation; (iv) monitoring procedures for their follow-up; and (v) the supervisory procedure, periodic evaluation and adjustment of the system.

The company's Risk Management System (RMS) is made up of the governance and management bodies and the organic units that perform the risk management and compliance functions, as set forth in Notice 5/2008 of the Banco de Portugal on the internal control of the institutions subject to its supervision.

In this regard, the RMS consists of an integrated set of human and technical resources that safeguard a wide range of processes, on a permanent basis, that provide an adequate understanding as to the nature and magnitude of the risks underlying the activities, thus enabling the adequate implementation of the strategy and the fulfilment of the institution's objectives.

Through the RMS, all material risks to which the institution is exposed, both internally and externally, are duly identified, assessed / measured, monitored and controlled, ensuring that the various risks remain at levels previously defined by the management body and that they will not materially affect the financial situation of the institution, namely in what regards the preservation of its capital, liquidity and profitability.

Therefore:

The Bank has established a formal and annual process to identify and assess the risks to which its business and business support activities are subject. The risk assessment under this process considers both the probability of occurrence of each risk but also the severity of the losses (or other types of negative impact) in case of occurrence. The combination of these two factors determines the rating as to the materiality of each risk.

The courses of action to be developed for control and mitigation of the material risks, listed and described in the “Risk Strategy” approved by the BofD, are reviewed annually. The choice of mitigation and control instruments at a more detailed level rests with the GMS governing bodies or with the organic units whose mission is to implement or promote mechanisms, tools and indicators for risk control and mitigation.

With regard to the periodic monitoring/assessment of the RMS, see the information presented in recommendation VI.3.

As to the adjustment of the RMS, in addition to what is done in the annual risk identification process and the annual review of the RMS and the "Risk Strategy", the same is permanently carried out, depending on changes in the incidence of activity risks - in relation to its nature, likelihood of occurrence and potential impacts in case of occurrence - that may be detected at all times and at any level of the organization. The detection in question is also possible through the monitoring of a set of indicators established with a minimum monthly frequency (some, with daily or intraday frequency), and is materialized through the revision of internal regulations or through the creation or reformulation of areas and functions of the institution that allow greater effectiveness in the control of risks already addressed or to address in a minimally effective way the new risks or emerging risks that were identified.

See, about this particular subject, the information presented in items 53 (i) of the recommendation under consideration and item 54 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

VI.3. The company should evaluate annually the degree of internal compliance and the performance of the risk management system, as well as the potential for change of the previously defined risk framework.

The Internal Audit function regularly performs audits on the various components (or areas) of the Risk Management System (RMS), namely, the auditing of the credit risk management system, the auditing of the operational risk management system, the auditing of the market risk management system.

The Internal Audit function pursues the general goal of auditing all areas of the RMS within a maximum cycle of 3 years, based on a process of risk assessment and of material changes identified in the risk management and control processes. The quality of the performance thus audited is reflected in the quantity and risk levels of the recommendations issued by the internal audit as a result of the audits that were carried out.

In addition to the evaluation of the performance carried out by the Internal Audit function, the institution has also a validation and monitoring function of (risk) models, materialized in the Office for the Validation and Monitoring of Models. Like the audit, this organic unit takes on an independent review function (IRF) in relation to the quality and performance of risk models that quantify controlled/mitigated risks.

Finally, it should be mentioned that, because it is a banking institution integrated, by European banking supervision, in the group of "Other Systemically Important Institutions" (O-SII), the Bank's RMS is constantly under the inspection of the banking supervision authority (the European Central Bank - ECB), relating to the various aspects of risk management and its different components. The inspections in question (as is the case for internal audits or the validation and monitoring of models) give rise to recommendations with different degrees of risk, in which case targets for resolution or remediation are imposed.

See also, concerning this matter, the information presented in item 54 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

Chapter VII - Financial Information

VII.1. Financial information

Principles:

VII.A. The supervisory body should independently and diligently ensure that the management body fulfils its responsibilities in the choice of appropriate accounting policies and criteria and in the establishment of appropriate systems for financial reporting, risk management , for internal control and audit.

VII.B. The supervisory body should promote an adequate articulation between the work of the internal audit and the statutory audit of accounts.

Recommendations:

VII.1.1. The internal regulation of the supervisory body should impose that it supervises the adequacy of the preparation and disclosure of financial information by the management body, including the adequacy of accounting policies, estimates, judgements, relevant disclosures and their consistent application between exercises, in a duly documented and reported manner.

See, concerning this matter, the information presented in item 37 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

VII.2. Statutory audit of Accounts and supervision

Principle:

It is incumbent upon the supervisory body to establish and monitor formal, clear and transparent procedures on the way the company selects and relates to the statutory auditor, and to verify if that auditor complies with the rules of independence that the law and professional standards impose.

Recommendations:

VII.2.1. Through internal regulations, the supervisory body should define:

(i) The criteria and selection process for the Statutory Auditor

(ii) The methodology of communication of the company with the Statutory Auditor

(iii) The supervisory procedures designed to ensure the independence of the Statutory Auditor;

(iv) Other than auditing services which can not be provided by the statutory auditor.

The choice of the Statutory Auditor should be based on the criteria and requirements listed below, which should be taken into account in the evaluations to be carried out by the Audit Committee, both in the initial evaluations, with the purpose to select candidates to be presented to the General Assembly, as well as in the following evaluations which should take place, at least once a year.

Quality of the Service Provided

The Statutory Auditor should demonstrate sufficient knowledge, expertise, dimension and experience to provide a high quality service, in line with the size of the Bank, the complexity of its activity and the risks to which it is exposed. Thus, the following criteria and requirements are particularly relevant:

- Reputation of the ROC, taking into consideration the way in which the entity exercises the profession as well as its ability to make objective and thoughtful decisions, adopting a behaviour and having a reputation that could instil trust in the market;
- Timeliness in meeting with the agreed time frames and deadlines, with the Bank and the Regulator;

- Proactiveness in the search for information related with business risks or other themes that may have impact on its plan of action, so as to identify and resolve any issues in due time, adjusting itself rapidly to alterations in risks, studying and presenting credible alternatives for debate;
- Provision of quality audit services, at a controlled cost and with reasonable fees regarding any additional services provided;
- Proactivity in recommending solutions to improve internal control and financial reporting systems.

Resources allocated to the Audit

Regarding the resources allocated to the services provided by the Statutory Auditor to BCP, the following should be evaluated:

- The technical and professional balance and adequacy of the team working for BCP, versus the size of the Bank, the complexity of its activity and the risks to which it is exposed;
- The technical expertise of the Statutory Auditor, as well as its ability to apply its knowledge in order to provide a quality service in the contracted area and to ensure a realistic, technically well-founded and independent analysis;
- The adequacy of knowledge on the business risks, processes, systems and specific operations inherent to the Bank's activity, as well as access to specialists in technical and banking-specific matters;
- The potential for access to sufficient additional specialized resources as may become necessary to complete the work in a timely manner or, in the case of re-evaluation or evaluation for a renewal, the specific access to those resources;
- The sufficiency of the time that is expected to be spent and the resources that are expected to be allocated, or in the cases of re-evaluation or evaluation for a renewal, the sufficiency of the time devoted and the resources allocated to audit tasks in face of the size of the Bank and the complexity of its activity.

Communication and Interaction

With regard to communication and interaction between the Bank and the Statutory Auditor, the latter should demonstrate, among the most relevant:

- Adequacy in the frequency of communication, as well a demonstrated availability and accessibility;
- Adequacy and sufficiency of support materials to meetings/discussions that are made available, as well as a sufficient advance in making them available;
- Capacity and concern to keep the Bank adequately informed of developments in accounting principles and standards applicable to the Bank and Group entities, including any material impacts on the Statutory Auditor's activity;
- Experience and capacity to debate, in an adequate manner, the quality of the Bank's financial reporting, including the reasonableness of the accounting estimations and judgements and the accounting policies framework in accordance with the trends and best practices in similar companies;
- Knowledge, experience and ability to request adequate and sufficient information to carry out its tasks.

Independence, Objectivity and Professional Scepticism

The Statutory Auditor should be independent and objective and demonstrate professional scepticism, complying with the Bank. In its periodic evaluations, it should be reviewed, among the most relevant:

- The integrity and objectivity of the Statutory Auditor, as well as its attentive and interrogative stance;
- The absence of conflicts of interests;
- Its independence, namely in debating all the issues which could reasonably be understood as able of jeopardizing its independence, including eventual exceptions regarding compliance with the independence requirements and safeguards established;
- The capacity and potential capability to approach the most sensitive issues in a constructive way and the experience to identify, communicate and adequately resolve issues of a technical nature that may come up during the course of the work.

On a proposal from the Audit Committee, the Bank approved an internal regulation on the criteria and selection process of the statutory auditor that can be consulted on the institutional website

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas_regulamentos.aspx

Regarding the communication, in addition to the above mentioned aspects, it should be pointed out that one of the items on the permanent agenda of the Audit Committee is the follow-up of the activity of the external auditors, where the topics related to the evolution of audit work are discussed; compliance with the agreed time frames; of subjects connected to the legal regime of the audit supervision; the statutes of the OROC and the LFCIFC on audit matters, in particular the monitoring of the external auditor's independence, as well as the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA)

The Audit Committee, in accordance with the powers conferred on it by its Regulations, approves the procurement of services awarded in compliance with the powers granted to it.

See, concerning this matter, the information presented in item 37 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

VII.2.2. The supervisory body should be the main discussion partner of the Statutory Auditor and the first to receive the reports, and should propose the respective remuneration and ensure that the company provides the appropriate conditions for the provision of the audit services.

On this matter, see the information presented in Recommendation VII.2.1.

Declaration of Compliance: COMPLIANT

VII.2.3. The supervisory body should evaluate annually the work, independence and suitability for the performance of duties carried out by the statutory auditor and propose, to the competent body, the auditor's dismissal or the termination of the work contract whenever there is just cause for that.

On this matter, see the information presented in Recommendation VII.2.1.

Declaration of Compliance: COMPLIANT

VII.2.4. The statutory auditor should, under his duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failures to the supervisory body.

See, concerning this matter, the information presented in item 66 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

VII.2.5. The statutory auditor should cooperate with the supervisory body and should immediately provide information on any irregularities that it has detected, relevant to the performance of the functions of the supervisory body and any difficulties encountered in the performance of its duties.

On this matter, see the information presented in Recommendation VII.2.1.

Declaration of Compliance: COMPLIANT

2. Analysis of compliance with the Corporate Governance Code implemented

The declaration of compliance with the recommendations of the Corporate Governance Code, which the Bank voluntarily resolved to observe, is presented in the Introduction to the present Report.

Annexes

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, see table 26 of this Report)

Non-Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Nuno Manuel da Silva Amado

Personal Data

- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank

- Chairperson of the Board of Directors

Direct Responsibilities

- Board of Directors' Support Office
- Company Secretary's Office
- Fundação Millennium bcp

Positions inside the Group

- Member of the Board of Curators of Fundação Millennium bcp
- Vice-Chairman of BIM - Banco Internacional de Moçambique, S.A.
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Effective member of the Plenary of the Interdisciplinary Specialised Committee for Birth-rate (CEPIN)
- Member of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- Member of the Supervisory Board of EDP – Energias de Portugal, S.A.
- Member of the Board of Auditors of Fundação Bial
- Member of the General Board of Universidade de Lisboa
- Chairman of the Senior Board of the Alumni Clube ISCTE
- Member of the Advisory Board of do BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional Experience in the Last Ten Years Relevant to the Position

- From August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal

- From August 2006 to January 2012 – General-Manager and Member of the Management Committee of Banco Santander Central Hispano
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A.
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From 28 February 2012 to 30 May 2018 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- From March 27, 2015 until June 16, 2018 - Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.
- On November 9, 2018 - Presented with Order of Infante D. Henrique - Grand Cross of Merit
- On 30 May 2018 elected Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Jorge Manuel Baptista Magalhães Correia

Personal Data

- Date of Birth: 05 November 1957
- Nationality: Portuguese

Positions held at the Bank

- 1st Vice-Chairman of the Board of Directors
- Chairman of the Remuneration and Welfare Board

Positions outside the Group

- Member of the Board of Directors and member of the Corporate Governance Commission of REN-Redes Eléctricas Nacionais, SGPS, SA
- Chairman of the Board of Directors of Luz Saúde, S.A.
- Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School
- Participation in numerous relevant professional training actions throughout his career, in Portugal and abroad, namely with certification by the “Enforcement Training Program 1994” from U.S. Securities and Exchange Commission (SEC), Washington, DC.

Professional experience in the last 10 years relevant to the position

- Since 1983 – Lawyer – Member of the Portuguese Lawyers Association I
- From February 2002 to October 2011 - Member of the Board of Directors of Caixa Seguros e Saúde, SGPS, SA
- From January 2008 to May 2014 - Chairman of the Board of Directors – Companhia de Seguros Fidelidade- Mundial, S.A.
- From April 2011 to January 2016 - Chairman of the Board of Directors of Universal Seguros, S.A. (Angola)
- From October 2011 to March 2013 - Chairman of the Boards of Directors of HPP – Hospitais Privados de Portugal, S.A.
- From October 2011 to May 2013 - Vice-Chairman of the Board of Directors of Caixa Seguros e Saúde SGPS, S.A.

- From 2014 to 2017 - Chairman of the Board of Directors and of the Executive Committee - Companhia de Seguros Fidelidade, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Fidelidade Assistência Auto, S.A.
- From May 2014 to March 2017 - Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Multicare- Seguros de Saúde, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property International, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property Europe, S.A.
- On 30 May 2018 elected 1st Vice-Chairman of the Board of Directors and Chairman of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021

Ana Paula Alcobia Gray

Personal Data

- Date of Birth: 16 March 1962
- Nationality: Portuguese / South African

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Member of the Remuneration and Welfare Board

Academic and Specialised Qualifications

- Masters Degree in Business Management (MBA) from University of Witwatersrand
- Chartered Accountant (South Africa) - registered in the Ordem dos Revisores Oficiais de Contas (South African Chartered Accountants Association).
- Honours (post graduate) in Commerce from University of South Africa
- Honours (post graduate) In Accounting Science from University of South Africa
- Bachelor of Commerce from the University of South Africa

Professional experience in the last 10 years relevant to the position

- From November 1996 to September 2015 – Group BAI (Lisbon, Portugal and Luanda, Angola) where she performed the functions of non-executive Vice-Chairwoman and executive director of the Group's Banks.
- On 30 May 2018 elected Member of the Board of Directors and Member of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021

José Manuel Alves Elias da Costa

Personal Data

- Date of Birth: 13 October 1952
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Nominations and Remunerations
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Risk Assessment

Academic and Specialised Qualifications

- Licentiate Degree in Finance by Instituto Superior de Economia de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2002 to May 2016 Member of the Executive Committee - Banco Santander Totta
- From May 2017 to August 2018 - Advisor - Banque de Dakar (BDK), Senegal
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Xiaoxu Gu (Julia Gu)

Personal Data

- Date of Birth: 05 September 1970
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors

Positions outside the Group

- From 2011 Executive Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd.
- From June 2015 – Non-executive Member of the Board of Directors – Mybank
- From January 2016 – Non-executive Chairwoman - Zhangxingbao (network Technology Co., Ltd)

Academic and Specialised Qualifications

- Masters Degree in Business Management - East China Normal University
- Bachelor's Degree in Transportation Management- Tongji University (former Shanghai Tiedao University)

Professional experience in the last 10 years relevant to the position

- From July 2008 to September 2009 - Deputy General Manager, Department of Financial Institutions and Manager of the Securities Custodian Department; - Huaxia Bank Shanghai Branch
- From September 2009 to March 2010 - Deputy Manager of the Financial Services Department - All In Pay Network Services Co., Ltd.
- From March 2010 to October 2011 - Executive Director of Allinfinance (Allinpay's Subsidiary) and General Manager of Marketing Services Department of All in Pay Network Services Co., Ltd.
- From 2015 to 15 May 2018 – Chairwoman of the Board of Directors - Great China Finance Leasing (Shanghai) Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Shanghai Hongkou Guangxin Microcredit Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 Chairwoman, Legal representative - Shanghai Hongkou Guangxin Microcredit Co., Ltd (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Member of the Board of Directors of Zhejiang Zheshang International Financial Asset Exchange Co., Ltd.
- From 2015 to 8 June 2018 – Chairwoman of the Board of Directors of Shanghai Xinglian Commercial Factoring Co., Ltd.
- From 2015 to July 2018 - Member of the Board of Directors - Zhejiang Mybank Co., Ltd.
- From 2015 to 28 July 2018 – Member of the Board of Directors - Minsheng E-Comerce Co., Ltd.
- From 2015 to 28 July 2018 – Member of the Board of Directors – Shanghai Fosunling Asset Management Co., Ltd. (subsidiary of Zhangxingbao)
- From 2016 to 28 July 2018 – Chairwoman of the Board of Directors - SUM Payment Services Co., Ltd
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the

term-of-office 2018/2021

Lingjiang Xu

Personal Data

- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Nominations and Remunerations

Positions inside the Group

- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Non-executive member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- Chairman of the Board of Directors - Longrun Portugal, SGPS, S.A.

Academic and Specialised Qualifications

- Bachelor's Degree in German from the Foreign Studies University of Beijing, China.
- Master’s Degree in World Economics from the Nan Kai University, Tianjin, China.
- Master’s Degree in Finance from the London Business School

Professional experience in the last 10 years relevant to the position

- February 2006 to January 2010 - First Secretary of the Commercial Office of the Chinese Embassy in London
- From September 2011 to March 2012 - Director of Vermilion Partner LLP (London)
- From March 2012 to December 2013 - Partner to RH Regent Investment Management Co Ltd (Shanghai)
- From February 2015 to February 2017 - Non-Executive Director of Luz Saúde, S.A.
- From September 2015 to February 2017 - Non-executive Director of the Board of Directors of Fidelidade Assistência – Companhia de Seguros S.A.
- From September 2015 to February 2017 - Non-executive Director of Multicare – Seguros de Saúde, S.A.
- From October 2016 to March 2017 - Non-Executive Director of Chiado (Luxembourg), S.à.r.l.
- On 9 January 2017 he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the current triennial (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Teófilo Cesar Ferreira da Fonseca

Personal Data

- Date of Birth: 03 October 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Risk Assessment

- Member of the Committee for Nominations and Remunerations

Academic and Specialised Qualifications

- Post-graduation degree in International Business-Porto Business School Master's degree in Regional Economic Integration and European Policies - Universidade Católica do Porto
- Post-graduate degree in Management Audit - - INDEG/ISCTE, Lisboa
- Licentiate Degree in Financial Management - ISAG-Instituto Superior de Administração e Gestão, Porto
- Bachelor's Degree in SME Management – ISVOUGA, Santa Maria da Feira

Professional experience in the last 10 years relevant to the position

- From June 2005 to September 2010 - Deputy General Manager of the Corporate Development - Banco Caixa Geral Espanha
- From June 2007 to September 2010 - Deputy General Manager - CGD Branch - Spain
- From March 2009 to September 2010 - Manager - CGD's deployment project in Banco Caixa Geral Totta in Angola
- From October 2010 to October 2014 - Advisor of the Executive Committee (Chief of Transformation Officer) - Banco Caixa Geral Totta Angola
- From November 2014 to November 2017 - Deputy Manager - International Division of Group CGD
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Members of the Board of Directors (Members of the Audit Committee)

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Cidália Maria Mota Lopes

Personal Data

- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Interim Chairwoman of the Audit Committee

Positions outside the Group

- Professor at Coimbra Business School - ISCAC on fiscal issues
- Invited Professor at Faculdade Economia – Universidade de Coimbra
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)

Academic and Specialised Qualifications

- PHD in Business Management from the School of Economics of the University of Coimbra.
- Masters Degree in European Economics from the School of Economics of the University of Coimbra.
- Licentiate Degree in Economics from the School of Economics of the University of Coimbra.
- Post-graduate degree in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra.
- Participation in the Advanced Programme for non-executive Directors promoted by Instituto Português de Corporate Governance

Professional experience in the last 10 years relevant to the position

- From 1994 - Lecturer at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC), and Guest lecturer at the Faculty of Economics
- 2000/2015 – Trainer at the Portuguese Association of Certified Accountants (OCC)
- From 2005 to 2006 – Member of the Working Party for the Simplification of the Portuguese Fiscal System of the XVII Constitutional Government
- 2009 - Received the Award Professor Doutor António de Sousa Franco, granted by the Chartered Accountants Association (OTOC), due to her paper: "Quanto custa pagar impostos em Portugal? – Os custos de cumprimento da tributação do rendimento" (How much does it cost to pay taxes in Portugal?)
- From 2009 to 2010 – Member of the working party for Fiscal Policy, Competitiveness and Efficiency of the Fiscal System in Portugal of the XVIII Constitutional Government
- The costs of compliance with income tax) 2010/2014 - Director of Coimbra Business School
- From 1999 to 2018 - Published books and articles on tax issues, namely: A Fiscalidade das Pequenas e Médias Empresas – Estudo comparativo na União Europeia (1999); Quanto custa pagar impostos em Portugal? Os custos da tributação do rendimento (2008); Fiscalidade – Outros Olhares (2013) (coordinator); A Fiscalidade das Sociedades Insolventes (2015) (co-author) 1st edition (2017) and 2nd edition
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A.
- On 30 May 2018 elected Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A. for the term of office 2018/2021

Valter Rui Dias de Barros

Personal Data

- Date of Birth: 19 September 1963
- Nationality: Angolan

Positions held at the Bank

- 2nd Vice-Chairman of the Board of Directors
- Member of the Audit Committee
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions outside the Group

- Since June 2018 - Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado, Luanda (Angola)

Academic and Specialised Qualifications

- Corporate Senior Management Programme - AESE and IESE, Luanda (Angola)
- Licentiate Degree in Electronic Engineering and Computing from the Faculty of Engineering of University of Porto
- Licentiate Degree in Mathematics Applied to Computer Science - School of Economics of University of Porto

Professional experience in the last 10 years relevant to the position

- From 1998 to 2011 - Professor at School of Economics and Management of Universidade Católica de Angola, Luanda (Angola)
- From December 2006 to December 2016 – Executive Director – Banco de Desenvolvimento de Angola, Luanda (Angola)
- From 2011 to 2012 - Professor in the area of Human Behaviour in Organizations - ASM-Angola School of Management, Luanda (Angola)
- Since June 2017 to March 2018 - Advisor of the Minister of Finance - Ministry of Finance, Luanda (Angola)

- On 30 May 2018 elected 2nd Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Wan Sin Long

Personal Data:

- Date of Birth: 20 May 1965
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee
- Member of the Committee for Risk Assessment

Positions Held outside the Group

- Since March 2017 – Chairman of the Executive Board of Directros of Great Win Consultancy Limited
- From July 2017 to September 2018 – Non-Executive Chairman of the Board of Directors of Great Win Investment (Hengqin) Limited (renunciated to the position – pending of registration)

Academic and Specialised Qualifications:

- Master in Economics with specialization in International Finance - Graduate School of People's Bank of China, currently called PBC School of Finance - Tsinghua University
- Bachelor's Degree in Economics with specialization in Banking and Public Finance - Anhui Institute of Finance and Trade, currently named University of Finance and Economy of Anhui

Professional Experience:

- From September 2004 to August 2016 - Executive Director of the Board of Directors and Member of the Advisory Board of the Monetary Authority of Macau, Macau Motor and Maritime Fund, Deposit Protection Fund of Macau, Advisory Board of the Tax Reserve of the Macau Special Administrative Region (in these last two, since 2012)
- From July 2012 to July 2015 - Member of the Specialized Committee for the Implementation of the New Basel Agreement in the Chinese Banking Sector of China Banking Regulatory Commission
- From March 2017 to September 2018 - Vice-Chairman of Ultra Resource Technology Limited
- From March 2017 to September 30, 2018 - Chairperson & CEO of G W Limited
- From March 2017 to October 22, 2018 - Chairperson & CEO of Great Win Investment Limited
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: http://www.millenniumbcp/institucional/governação/)

Miguel Maya Dias Pinheiro

Personal Data

- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank

- Chairman of the Executive Committee
- 3rd Vice-Chairman of the Board of Directors

Direct Responsibilities

- Office of the CEO
- Communication Division
- Human Resources Division
- General Secretariat and Relations with External Entities
- Credit Division
- Digital Transformation Office

Positions inside the Group

- Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA
- Manager of BCP África, SGPS, Lda.
- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Member of the Senior Board of the Alumni Clube ISCTE

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) - AESE
- Advanced Management Programme - INSEAD

Professional experience in the last 10 years relevant to the position

- From August 2007 to November 2009 – Head of the Office of the Chairman of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 03 November 2009 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 11 November 2009 to 18 April 2011 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From December 2009 to May 2011 - Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.

- From March to June 2012- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From 23 April 2012 to 15 June 2015 - Member of the Board of Directors of Banco Millennium Angola, S.A.
- From 15 June 2012 to 16 June 2015 - Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.
- From May 2013 to May 2018 - Chairman of the Board of Directors of Banco Millennium Angola, S.A. (Angola)
- From May 2015 to May 2018 - Chairman of the Remunerations Commission of BIM - Banco Internacional de Moçambique
- From May 2015 to May 2018 - Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique
- On 11 May 2015 elected member of the Board of Directors and appointed Vice-Chairman of the Executive Committee (2015/2017 term of office)
- From January to May 2018- Member of the Restructuring Committee of PNCB – Plataforma de Negociação Integrada de Créditos Bancários, ACE
- On 30 May 2018 elected 3rd Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Miguel de Campos Pereira de Bragança

Personal Data

- Date of Birth: 25 June 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Legal and Litigation Advisory Division
- Means of Payment and Acquiring Division
- Bank Millennium (Poland)
- Banco Activobank, S.A.

Positions inside the Group

- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- Manager of Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.
- Manager of the company BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.
- Non-executive member of the BofD of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. (pending authorization)

- Manager of Quinta das Almoínhas Velhas – Imobiliária, Lda.
- Member of the Board of Fundação Casa de Bragança

Academic and Specialised Qualifications

- Licentiate Degree in Companies Administration & Management from Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA Programme. Award Henry Ford II attributed to the students with the highest final grade point average

Professional experience in the last 10 years relevant to the position

- From 2000 to 2006 – Director, responsible for the Finance, Accountancy and Management Control, Marketing and Product areas at Banco Santander Totta and Santander Totta SGPS, S.A.
- From January 2005 to November 2006 and from April 2009 to March 2012 - Non-executive director of SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A.
- From 2007 to 2008 - Executive Director - responsible for Products and Marketing, being also responsible, since June, for the Phone Channel, Internet and Business Banking - of Abbey National PLC (nowadays Santander UK)
- From 2008 to February 2012 – Director responsible for the Finance, Accounting and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta SGPS, S.A.
- From 3 September 2010 to 11 February 2012 - Non-executive director of UNICRE – Instituição Financeira de Crédito, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office
- On 30 May 2018 elected Member of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

João Nuno de Oliveira Jorge Palma

Personal Data

- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- International, Treasury & Markets Division
- Large Corporates and Corporate banking Divisions
- Investment Banking Division
- Companies Marketing Division
- Macau Branch
- Private Banking Division
- Banque Privée BCP (Suisse)
- Millennium bcp Bank & Trust

Positions inside the Group

- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.

- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL).
- Postgraduate studies in Business - PDE-VII Programa de Direcção de Empresas (Companies Management Programme) from AESE - Associação de Estudos Superiores de Empresa in collaboration with IESE - Instituto de Estudos Superiores de Empresa of the University of Navarra.

Professional experience in the last 10 years relevant to the position

- From February 2008 to March 2010 – Member of the Board of Directors (Chief Financial Officer), of Group Caixa Geral de Depósitos - (Banco Caixa Geral, Spain)
- From March 2010 to December 2011 - Member of the Executive Director - (Chief Financial Officer), of Ren – Redes Energéticas Nacionais, SGPS, S.A.
- From January 2012 to July 2013 - Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013- (non- executive) Chairman of the Board of Directors of Caixa Imobiliário, S.A.
- From January 2012 to July 2013 - non- executive Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 - Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 - Non-executive Director of PT - Portugal Telecom, S.A.
- From April 2013 to August 2016 - Non-executive Director of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From September 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Banco Caixa Geral, S.A. (Spain)
- From January 2014 to August 2016 - Non-Executive Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of Multicare – Seguros de Saúde, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 - Non-Executive Director of Parcaixa, S.A.
- From November 2014 to August 2016 - 1st Non-Executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (later renamed Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 - Non-Executive Director of Partang, S.A.
- From December 2014 to August 2016 - Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A.
- On 9 January 2017 he was co-opted by the Board of Directors to exercise the functions of Member of the Board of Directors and Vice-Chairman of the Executive Committee until the end of the term-of office (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

José Miguel Bensliman Schorcht da Silva Pessanha

Personal Data

- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Risk Office
- Compliance Office
- Rating Division
- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Data Protection Office

Positions inside the Group

- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Chairman of the Board of Directors of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.

Positions outside the Group

- Member of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.

Academic and Specialised Qualifications

- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Master's Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 - Master's Degree in Economics from Université Catholique de Louvain (Belgium)
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- Received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional experience in the last 10 years relevant to the position

- From 2003 to 2015 - Group Risk Officer of Millennium BCP
- 2014 – Lecturer of the chair "Banking in a Global Context" at Universidade Católica Portuguesa
- On 11 May 2015 elected member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office
- On 30 May 2018 elected Member of the Board of Directors and Member of the Executive Committee of

Banco Comercial Português, S.A. for the term-of-office 2018/2021

Maria José Henriques Barreto de Matos de Campos

Personal Data

- Date of Birth: 21 August 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Companies Recovery Division
- Retail and Small Amounts Division
- Direct Banking Division
- Operations Division
- IT Division
- Procurement and Logistics Division
- Millennium bcp Prestação de Serviços ACE.

Positions inside the Group

- Chairwoman of the Board of Directors of Millennium bcp Prestação de Serviços ACE

Qualifications

- Licentiate Degree in Electronic Engineering and Telecommunications from Universidade de Aveiro

Professional experience in the last 10 years relevant to the position

- From November 2001 to July 2011 - Head of IT of Bank Millennium S.A. , (Poland)
- From July 2006 to July 2011 - Director in charge for IT Europe of Millennium BCP
- From July 2011 to April 2018 - Member of the Board of Directors of Bank Millennium SA, (Poland)
- On 30 May 2018 elected Member of the Board of Directors and Member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Rui Manuel da Silva Teixeira

Personal Data

- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee
- Retail Divisions
- Retail Marketing Division
- Quality and Network Support Division
- Segments Management Division
- Wealth Management Division
- Real-Estate Business Division

- Specialised Monitoring Division
- Interfundos - Gestão de Fundos de Investimento Imobiliário, S.A.
- BII – Banco de Investimento Imobiliário, S.A.
- Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.

Positions inside the Group

- Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.
- Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A.
- Member of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.

Positions outside the Group

- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of SIBS SGPS, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of SIBS Forward Payment Solutions, S.A. – , as representative of Banco Comercial Português, S.A.
- Chairman of the Board of the General Meeting of Porto Business School, as representative of Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering from the Faculty of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional experience in the last 10 years relevant to the position

- From 2006 to 2009 – Head of the IT Global Division (Group) and member of the Coordination Committee of Banking Services
- From 2009 to 2010 – Vice-Chairman of the Executive Board of Directors of Bank Millennium S.A. (Poland), member of the European Banking Coordination Committee and member of the Supervisory Boards of Millennium Dom Maklerski SA, Millennium Leasing Sp Zoo and Millennium Lease Sp Zoo
- From May 2010 to April 2011 – Head of the Marketing Division, Member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 19 April 2011 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 January 2012 to 19 October 2017 - Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- From 2012 to 2018 - as representative of Banco Comercial Português, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 19 December 2012 to 18 May 2015 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 25 January 2013 to 20 July 2017 - Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office
- From 26 May 2015 to 31 December 2018 - Chairman of the Board of Directors of Banco ActivoBank, S.A.

- On 30 May 2018 elected Member of the Board of Directors and Member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Jorge Manuel Baptista Magalhães Correia

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Ana Paula Alcobia Gray

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Norberto Emílio Sequeira Rosa

Presented his resignation in February 2019

ANNEX III

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: http://www.millenniumbcp/institucional/governação/

Pedro Miguel Duarte Rebelo de Sousa

Position Held at the Bank

- Chairman of the Board of the General Meeting (term of office: 2017/2019)

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Law of Universidade de Lisboa
- Post-graduate degree in Companies and Corporate Law - Universidade Pontifícia Católica, Brazil
- Master's degree in Companies Management, from Fundação Getúlio Vargas – Business Administration School, São Paulo, Brazil

Management and Supervision positions held in other companies

- Non-executive member of the Board of Directors of Cimpor - Cimentos de Portugal, SGPS, S.A..

Other Relevant Positions

- Founder and Senior Partner of the law firm Rebelo de Sousa & Advogados (SRS)
- Member of the Sub-Committee for Latin America of the Atlantic Council, Washington DC
- Chairman of the Board of the General Meeting of Grémio Literário
- Chairman of the Board of the General Meeting of A. Santo, SGPS (Group Santo)
- Chairman of Círculo Eça de Queiroz – an institution serving the public interest
- Chairman of the Portuguese Institute of Corporate Governance
- Member of the Remunerations Commission of Novabase, S.A.
- Director of the Portugal-Netherlands Chamber of Commerce
- Chairman of the Board of the General Meeting of Sumolis Group Refrigor
- Chairman of the Board of the General Meeting of PWN – Professional Women`s Network Lisbon
- Chairman of the Board of the General Meeting of AMA – Agência para a Modernização Administrativa, I.P.
- Chairman of the Board of the General Meeting of Swipe News, S.A.
- Chairman of the Board of the General Meeting of CADIN – Centro de Apoio ao desenvolvimento Infantil (IPSS)
- Chairman of the Board of the General Meeting of Tecnovia Sociedade de Empreitadas, S.A.
- Chairman of the Board of the General Meeting of Tecnovia SGPS, S.A.
- Chairman of the Board of the General Meeting of Tecnovia Madeira
- Chairman of the Board of the General Meeting of Tecnovia Açores
- Chairman of the Board of the General Meeting of Associação Portugal India Business HUB
- Chairman of the Board of the General Meeting of Associação Turma do Bem (Portugal)
- Chairman of the Board of the General Meeting of Atitude/SSE – Associação pelo Desenvolvimento do Investimento Social
- Chairman of the Board of the General Meeting of Associação Mares Navegados
- Chairman of the Board of the General Meeting of AICD – Associação de Inserção por Centros Digitais de Informação

- Chairman of the Board of the General Meeting of Grande Enseada – Capital Partners, Sociedade de Capital de Risco, S.A.
- Member of the Academia Lusíada de Letras, Ciências e Arte
- Curator of Fundação Luso Brasileira para o Desenvolvimento do Mundo de Língua Portuguesa
- Chairman of the General Board of the Portugal-Mozambique Chamber of Commerce
- Member of the General Board of the Portuguese Chamber of Commerce of S. Paulo

Professional experience in the last 10 years relevant to the position

- From 1985 to 2017 – Curator of the Portuguese Chamber of Commerce, São Paulo, Brazil
- From 2006 to 2010 - Non-executive director of Intesa SanPaolo IMI International, Portugal
- From 1999 to 2009 – Partner of the law firm Simmons & Simmons, exercising the functions of Director of the firm from 2004 to 2009
- From 2004 to 2006 - Chairman of the Board of the General Meeting of PT Internacional
- From 2005 to 2006 - Chairman of the Board of the General Meeting of Galp, S.A.
- From 2005 to 2011 - Member of the Supervision Board of Banif Investimento, S.A.
- From 2007 to 2012 – Director of the Portuguese Chamber of Commerce & Industry
- From 2009 to 2013 – Chairman of the Supervision Board of Banco Caixa Geral Brasil. S.A.
- From 2011 to 2013 – Non-executive Director, Chairman of the Evaluation and Strategy Committee and Member of the Board of Auditors of Caixa Geral de Depósitos, S.A.

Octávio Manuel de Castro Castelo Paulo

Position Held at the Bank

- Vice-Chairman of the Board of the General Meeting (term of office: 2017/2019)

Academic and Specialised Qualifications

- Licentiate Degree in Law - Universidade Lusíada de Lisboa

Management and Supervision positions held in other companies

- Independent non-executive Director of Standard Bank de Angola, currently exercising the position of Chairman of the Audit and Risk Commissions

Other Relevant Positions

- Partner of the law firm Rebelo de Sousa & Advogados (SRS), responsible for the M&A , Corporate and Commercial Department, a department including the practice of TMT (Telecommunications, Media and Technology)
- Chairman of the Board of the General Meeting of several companies

Professional experience in the last 10 years relevant to the position

- Member of the Lawyers Association of Portugal since 1988 and of the Lawyers Association of Angola since 2010
- From 2003 to 2009 – partner of the international law firm Simmons & Simmons, headquartered in London
- From 2009 to 2011 - Director of the Portuguese Institute of Corporate Governance
- Coordinated operations for the privatization of state-owned companies, to be listed in the Stock Exchanges of Lisbon, London and New York
- Advisory services to companies for capital markets and mergers and acquisitions
- Advisory services to companies, open to public investment, or not, in Corporate Governance issues
- Chairman of the Audit Board of several companies
- Author and co-author of several works in the areas of Corporate Law and of Telecommunications Law.

2018 Annual Report

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Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
4,725,000,000.00 Euros

Registered at
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

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