

8. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

| | (Thousands of euros) | |
|---|----------------------|------------------|
| | 2017 | 2016 |
| Operating income | | |
| Income from services | 25,614 | 23,912 |
| Cheques and others | 12,497 | 13,307 |
| Gains on leasing operations | 6,379 | 8,943 |
| Rents | 2,363 | 2,462 |
| Other operating income | 19,164 | 16,041 |
| | 66,017 | 64,665 |
| Operating costs | | |
| Taxes | (26,735) | (22,393) |
| Donations and contributions | (3,633) | (4,262) |
| Contribution over the banking sector | (31,037) | (24,820) |
| Resolution Funds Contribution | (8,490) | (5,651) |
| Contribution for the Single Resolution Fund | (18,246) | (21,166) |
| Contributions to Deposit Guarantee Fund | (23,551) | (20,722) |
| Tax for the Polish banking sector | (44,297) | (39,781) |
| Extraordinary contributions | - | (1,615) |
| Losses on financial leasing operations | (994) | (338) |
| Other operating costs | (19,640) | (28,464) |
| | (176,623) | (169,212) |
| | (110,606) | (104,547) |

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) 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 2017, the Group delivered the amount of Euros 18,246,000 (2016: Euros 21,166,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 21,466,000 (2016: Euros 24,901,000) and the Group opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,220,000 (2016: Euros 3,735,000), 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.

The balance Contribution to Deposit Guarantee Fund includes, in 2017 the amount of Euros 23,356,000 (2016: Euros 20,509,000) regarding obligatory contributions made by Bank Millennium, S.A to Poland's Bank Guarantee Fund (BFG). It was introduced an amendment to the BFG Act which changed the periodicity of calculation and payment of BFG contributions to the resolution fund (former prudential fee) from quarterly to yearly (as regards contribution to guarantee fund quarterly cycle of calculation has been maintained). In addition, the methodology for calculating of both contributions has been changed, the final amounts of fees in 2017 are calculated and reported to each Polish bank by BFG. As a consequence, according to requirements of IFRIC 21, the Bank Millennium, S.A. recognised on a one-off basis costs of the resolution fee (based on estimations), at the moment of recognition obligation to pay the contribution i.e. at 1 January, having been made an adjustment to the final value reported during the first semester of 2017.

The balance Extraordinary contributions referred in 2016 to the extraordinary contributions made by Bank Millennium S.A. to the Banking Guarantee Fund for bankruptcy of banks in Poland and to the Distressed Mortgage Support Fund.

9. STAFF COSTS

The amount of this account is comprised of:

| | (Thousands of euros) | |
|---|----------------------|-----------|
| | 2017 | 2016 |
| Remunerations | 428,122 | 391,431 |
| Mandatory social security charges | | |
| Post-employment benefits (note 49) | | |
| Service cost | (16,391) | (741) |
| Net interest cost / (income) in the liability coverage balance | 4,536 | 4,502 |
| Cost / (income) with early retirement programs and mutually agreed terminations | 12,505 | 2,933 |
| Collective Labour Agreement | (39,997) | (172,262) |
| | (39,347) | (165,568) |
| Other mandatory social security charges | 109,089 | 97,713 |
| | 69,742 | (67,855) |
| Voluntary social security charges | 8,225 | 15,994 |
| Other staff costs | 20,488 | 17,032 |
| | 526,577 | 356,602 |

At the end of December 2016 it was concluded the revision of the Collective Labour Agreement (CLA), between the BCP Group and two of the unions representing 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, as described in accounting policy 1 w) and note 49. The negotiation with the "Sindicato dos Bancários do Norte" (SBN), which was also involved in the negotiations of the new CLA, was only concluded in April 2017 with publication in the "Boletim de Trabalho e Emprego", with the effects of this new CLA recorded in the financial statements as at 31 December 2017, for SBN's associated employees.

Under the context of the amendments to the CLA, there were also changes in the benefit related to the seniority premium which was replaced by the End of career premium (note 49). During the 2017, the impact of this change is a gain of Euros 4,856,000 (2016: Euros 19,245,000) and is reflected in Remunerations.