

# BUSINESS MODEL



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# Regulatory, Economic and Financial System Framework

## REGULATORY FRAMEWORK

The regulatory agenda in 2017 was essentially marked, at the international level, by the finalization of Basel III and by the discussion of the European Commission's proposal to revise the capital requirements and banking resolution framework and, at a national level, by the adoption of regulation regarding conduct and macro prudential supervision.

The Basel Committee finalized the Basel III proposed amendments with the purpose of enhancing the quality of banks' capital and reducing the variability of risk-weighted assets. The main changes refer to internal models, standardized credit risk method, revised market risk and operational risk framework. The agreement will be implemented from 2022, with a transitional period of seven years.

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. The negotiations to agree on a final compromise text with the European Commission are ongoing, nonetheless, given their urgency, amendments related to (i) the transition regime to reduce the impact of the introduction of IFRS 9 on own funds; and, (ii) the position of the unsecured debt instruments in the insolvency hierarchy (requiring transposition into national law) entered into force at the end of 2017.

Under the action plan and policies aimed at reducing the volume of non-performing loans (NPLs), the European Commission submitted in early 2018 a proposal to amend the Capital Requirement Regulations (CRR), which includes a minimum loss coverage for Non-performing assets (NPAs), as well as a proposal for a directive to promote the recovery of collaterals through out-of-court procedures. The Capital Market Union continues to be a strategic priority of the European Commission

At the national level, the transposition of the Markets in Financial Instruments Directive (MiFID II/RMIF) is undergoing. This regime extends the duties of trade transparency to a wider class of assets and derivative contracts, together with the respective trading platforms, while establishing the requirements related with automated and high frequency algorithmic trading. This Directive also defines the requirements for independent investment advice, governance on the distribution and creation of new products 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 establishing a common regulation for the key information document to be provided to the Clients.

Other relevant issues in 2017 on the regulatory agenda relating to the Portuguese financial system include:

- On loan concession: The Decree-Law no.74-A/2017, of 23 June, which entered into force on 1 January 2018, foreseeing, within the regime for loans for the acquisition of real estate properties, the provision of pre-contractual information and computation of the "APRC", measures for the promotion of a responsible loan policy and the framework encompassing the independent property appraiser, among others; and the Banco de Portugal's Notice no. 4/2017, 22 September, that establishes the procedures and criteria to perform the customer creditworthiness assessment;
- On the deposit and payment accounts: the Notice no. 3/2017 and Instruction no. 9/2017, from the Banco de Portugal, that set the procedures for verification of the personal identity information and the determination of the requirements applicable to the opening of bank deposits using remote channels; the Decree-Law no. 107/2017, 30 August, regulating the change of payment accounts, the comparability of commissions, and the access to basic payment accounts; and, the Payment Services Directive (PSD2) which is in the process of being transposed into national law;

- On the financing of the economy: The Decree-Law no. 77/2017 of 30 June frames the measures to promote further diversification of the funding sources of companies; and the Decree-Law no.79/2017 of 30 June alters the Companies Code and the Code for Insolvency and Recovery of Companies in order to simplify and speed up companies' restructuring and capitalization procedures;
- 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; and,
- Lastly, the General Data Protection Regulation (EU Regulation no. 679/2016) will apply from 25 May 2018 onwards.

These changes represent a demanding framework in terms of (i) binding requirements, (ii) implementing and revising procedures, (iii) risk management (existing and emerging risks), (iv) reporting to supervisors and disclosure to other stakeholders, (v) security of operations and data quality, and, (vi) the prospects for 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

According to the International Monetary Fund (IMF), in 2017, the world economy is expected to have expanded by 3.7%, which if materialized would correspond to the highest growth rate since 2011.

The acceleration of activity cut across most economies. Among the developed economies it should be highlighted the better than expected performance of the US and the Euro Area, which recorded growth rates of 2.3% and 2.5%, respectively. In the case of the US, the expansion of aggregate demand was supported mainly by the recovery of non-residential investment, while in the Euro Area the favourable external climate benefitted exports, thereby offsetting the slowdown in consumption and fixed investment. Concerning the emerging economies, it is worth mentioning the recovery of activity in Brazil, which grew 1.0% following two years of recession, and the absence of any signs of deceleration in China, with GDP growth staying around 7% (6.9%).

In 2018, the IMF foresees a firming of the current cycle of activity expansion, grounded on the rise of investment, in particular in the developed countries. Thus, the growth rate of the world's GDP is expected to rise from 3.7%, in 2017 to 3.9%, in 2018. The main uncertainty factors that could undermine this scenario hinge on the possibility of a correction in the global financial markets, deepening protectionism and an intensification of geopolitical risks.

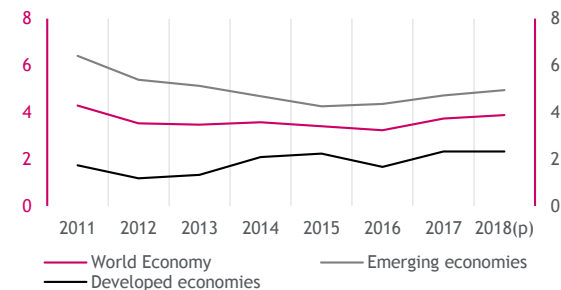
### Global financial markets

The year of 2017 was particularly favorable for financial markets, with expressive appreciations of the main asset classes and surprisingly low volatility levels. This benign evolution resulted from the confluence of a set of positive factors, including the acceleration of the world's GDP, the continuation of extremely accommodative monetary conditions at the global level and the dissipation of some of the most worrying geopolitical risks. In the US, positive expectations relative to the effects of the economic policy of the new Administration propelled the equity indexes to historic records, while in Europe, the euro stood out for the robustness and breadth of its appreciation, given the more solid economic environment relative to the preceding years. The financial assets of the emerging markets also evolved in a very satisfactory way, due to, on the one side, the generalized depreciation of the US dollar and, on the other, the intensification of the recovery trajectory of the commodities' sector, in particular of oil.

The unlikely combination of the acceleration of world economic growth with the absence of inflationary risks allowed the main central banks to reduce very slightly the global degree of accommodation of monetary policy.

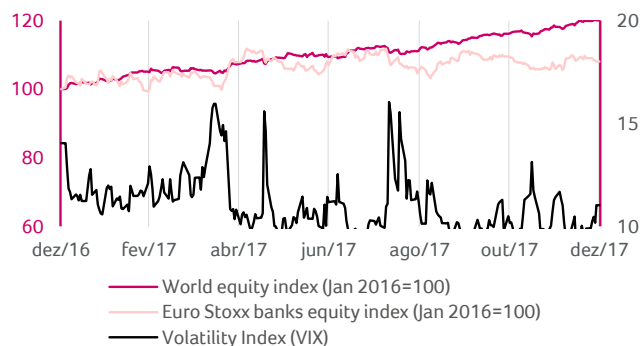
The US Federal Reserve continued to proceed with the normalization of interest rates, raising its key rate from 0.75% to 1.50% over 2017, and has also started the process of reducing its balance sheet, through the gradual sale of the debt securities accumulated since 2009 under the strategy of quantitative easing. For its part, the ECB announced the extension of its public and private debt purchase program through September 2018, but reduced the monthly pace of securities purchases, having maintained all its key rates at the levels seen at the end of 2016.

### GLOBAL ECONOMIC GROWTH ACCELERATED IN 2017 Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan 2018)

### THE WORLD EQUITY INDEX VALUATED AND THE VOLATILITY REMAINED AT LOW LEVELS



Source: Datatsream

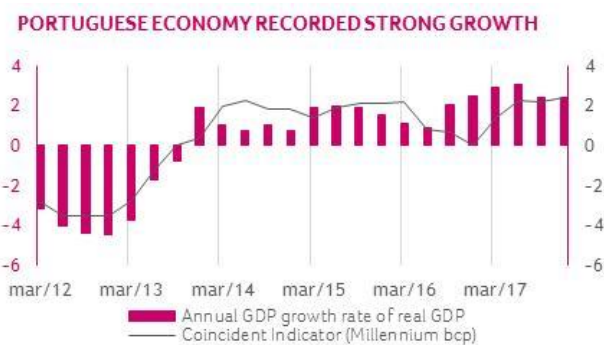
## Outlook for the Portuguese economy

In 2017 the Portuguese GDP grew 2.7%, which corresponds to a strong acceleration relative to the 1.6% observed in 2016. The performance of the Portuguese economy benefitted from the vigour of external demand, both in terms of goods and of tourism activity, as well as the rise in the confidence of domestic economic agents, in a context of lower interest rates, growing dynamism of the labor market and improvements in the control of public finances.

The improvement of the economic and financial condition of Portugal made possible an upgrade of the credit rating of the Portuguese Republic by some of the main rating agencies to investment

grade, which, together with the ECB's public debt purchase program, contributed to the expressive reduction of the risk premia implicit in the Portuguese government bonds throughout 2017, with favourable repercussions on the conditions with which domestic issuers access capital markets.

In 2018, the process of consolidation of the Portuguese economic recovery is expected to continue, supported by the dynamism of exports and by the progressive strengthening of investment, while private consumption is expected to evolve in a more moderate fashion, due to the low level of the savings rate.



Source: Datastream and Millennium bcp

## International operations

In Poland, GDP expanded strongly in 2017 (4.6%) stemming from the rise in private consumption, stimulated by wage acceleration and the improvement in employment, and also by the expansion of public investment. Although this performance carries inflationary risks, the inflation rate stood at levels compatible with the central bank's goal, which made it possible to maintain the key interest rates unaltered. In terms of foreign exchange, the Zloty drew an appreciation trajectory throughout the year, reflecting the good performance of the Polish economy along with the positive sentiment in international financial markets. In 2018, the European Commission reckons that the recovery of investment will not be enough to compensate the deceleration of private consumption, meaning that the growth pace of GDP should slow down to levels closer to 4.0%.

Mozambique continues to face a challenging macroeconomic environment. The strong slowdown of activity observed in 2016 in the wake of the fall in the prices of commodities, the deterioration of public finances and the loss of confidence of foreign investors as a result of the release of information regarding the indebtedness of some important state-owned companies, continued to penalize the economic performance in 2017. According to the IMF the GDP growth rate in 2017 is likely to have stood at 3.0%. Nevertheless, for the whole year, the Metical has appreciated, recovering partially from the strong depreciation in 2016, which together with a tighter monetary policy contributed to the reduction of the inflation rate in the second half of the year. In this context, the implementation of a program of robust economic policies aimed at correcting the structural imbalances and the development of a climate favorable to productive activities is instrumental in enabling Mozambique to return to higher GDP growth rates and to stimulate the benefits of the on-going megaprojects.

In Angola, there remain important challenges concerning the correction of the macroeconomic imbalances that have surfaced in the wake of the fall of oil prices in international financial markets in 2015/2016. Still, the government estimates GDP to have grown 0.9% in 2017, following the stagnation observed in the previous year, and has strongly committed to implement important structural reforms with the goal of breaking the current cycle of low growth and high inflation levels.

## GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2015	2016	2017	2018	2019
<b>European Union</b>	2.3	2.0	2.5	2.1	1.8
Portugal	1.6	1.6	2.7	2.2	1.8
Poland	3.9	2.6	4.6	3.3	3.0
<b>Sub-Saharan Africa</b>	3.4	1.4	2.7	3.3	3.5
Angola	3.0	-0.7	1.0	2.3	1.4
Mozambique	6.6	3.8	3.0	3.0	2.5

Source: IMF and national statistics institutes

IMF estimate (March 2018)

## FINANCIAL SYSTEM FRAMEWORK

The early repayment of the remaining outstanding Core Tier 1 hybrid instruments (“CoCos”) by BCP to the Portuguese State at the beginning of the year was one of the main events of the Portuguese banking system in 2017. The full reimbursement allowed, on the one hand, to successfully conclude the State support to BCP, and, on the other hand, to mark the normalization of the Bank’s activity and the full recovery of its autonomy, both being critical aspects to the recovery and stabilization process of the banking sector in Portugal, considering BCP’s size and systemic importance.

The evolution and performance of the banking system in 2017 continued to be conditioned by the implementation and revision of regulation and legislation, and by even more demanding and costlier supervision. In addition, it was also marked by the strengthening of the capital levels (e.g. capital increase in Caixa Geral de Depósitos, BCP, Novo Banco and Caixa Económica Montepio Geral), by the completion of the Public Offering for Acquisition of Banco BPI’s common shares launched by its majority shareholder Caixabank, and on Caixa Económica Montepio Geral’s participation units launched by its majority shareholder Montepio Geral Associação Mutualista, by the closing of the sale process Novo Banco to Lone Star and by the integration of the former Banco Popular Portugal into Banco Santander Totta.

During 2017, the clear signs of recovery of the core banking items (e.g. improvement in net interest income, despite the maintenance of reference interest rates at minimum levels, and reduction of operating costs, with the improvement of the efficiency levels reflecting the operational restructuring initiatives implemented by the banks) and the significant reduction of non-performing loans (via sales and write-offs) combined with the reinforcement of coverage by provisions and collateral, allowed the improvement of the profitability of the domestic activities of the main banks, with the exception of Novo Banco, which presented significant losses. The current restructuring plan of Novo Banco initiated by the new shareholder following the closing of sale process, associated with the activation of the Contingent Capitalization Mechanism established in the sale agreements of the controlling shareholder position, together with potential financial needs arising from both the resolution of Banco Espírito Santo and BANIF, represent risks to the banking system.

In spite of the challenges associated with the need to adapt to both the new regulatory context and the new competitive environment (namely in some business segments associated with the expansion of the offer boosted by the technological innovation inherent to the entry into force of the new Payment Services Directive 2 “PSD2”), 2018 will be crucial to sustaining the improvement of profitability, asset quality and risk indicators of the Portuguese banking system. The improvement of the domestic and international macroeconomic forecast will contribute to that end, together with operational restructuring programs already undertaken or underway by the main banks, the new strategic plans, the capital increases already carried out and the comfortable liquidity levels.

# 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 presence in the five continents of the world 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 and companies markets, 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 AND SUSTAINABILITY OF THE BUSINESS MODEL

### Largest privately-owned banking institution

Millennium bcp is Portugal's largest privately-owned banking institution, with a position of leadership and particular strength in various financial products, services and market segments based on a modern branch network with good territorial cover at a national level.

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 Customers, Companies, Corporates and Large Corporates. Retail Banking also has 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: ActivoBank.

The Bank also offers remote banking channels (banking service by telephone and online), which operate as distribution points for its financial products and services.

At the end of December 2017, the Bank had 578 branches in Portugal (including 1 branch in Macau), serving over 2.4 million Customers, and held the position of second bank (first privately-owned bank) in terms of market share for both loans to Customers (17.4%), and customer deposits (17.2%).

### Resilience and 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, in relation to the lower weight of financial operations. The Bank adopted a new business model based on a new segmentation of its Customers, a review of the products and services that it offers and the adjustment of its back-office and branch network, as well as on the desire of becoming closer to its Customers, while at the same time reducing operating costs. The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail and SME banking services market.

In January 2017 the Bank announced a share capital increase of 1.3 billion Euros through the issue of subscription rights, plus the private placement of 175 million Euros subscribed by Chiado (Luxembourg, a subsidiary company of Fosun International Holdings Limited ("Fosun"), completed on 18 November 2016 with the objective of speeding up the return of the Bank's activity to normalization, including the potential payment of dividends, instead of the phased approach used until then. The issue of rights strengthened the goals of the strategic plan, consisting in the improvement of the profit and loss account induced by the increase of the financial margin (supported by the reduction in the cost of funding due to the repayment of the CoCos and re-pricing of deposits), by the control on costs and the normalization of the cost of risk in Portugal; and improvement of the balance sheet, improving the capital and risk positions, based on the ongoing reduction of non-performing exposures. Total demand recorded in the share capital increase represented around 122.9% of the offer amount. In February 2017, Banco Comercial

Português carried out the early repayment to the Portuguese State of the remaining Core Tier 1 capital hybrid instruments ("CoCos"), amounting to 700 million Euros. Together with the early repayment of the CoCos, the share capital increase intended to cancel the key restrictions related with the State aid, including the prohibition to distribute dividends, the potential risk of having to sell core businesses and the risk of the conversion of the CoCo bonds into a shareholding.

### **Innovation and capacity to deliver**

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 (Médias) 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 a tablet.

### **Internet & Mobile**

With the purpose of continuing to improve its information systems, the Bank developed a number of structuring initiatives and projects in 2017, several of them part of Project Moving Forward of which we highlight:

- Within the scope of the internet channel, we must emphasize the new loan simulator for home loans available on the website and the technological renewal of the companies website.
- Regarding Mobile Banking, highlights include the new version of the Millennium App with new tools and the possibility of transferring or receiving funds to or from any part of the world through Western Union, and the Face ID tool for users with iPhone X; the loan simulator for consumer loans accessible via App or Mobile Web; and the Corporate App that enables the Customer to authorize and complete factoring and confirming operations.
- Regarding Branch modernization and customer service, highlights include: i) simplification of the SWOC factoring and confirming proposals; ii) the several upgrades made to Caixa Solution and the multiple upgrades implemented in the business action platform; iii) the Go Paperless Project already available at all Retail Branches with the use of electronic signature in tablets extended to new processes. It is now possible to subscribe to, block and redefine the multichannel code, and execute several cashier transactions with Customer's intervention, the most representative in the entire retail network in a fully digital, paperless manner; iv) the dematerialisation of the MiFID documents, subscription and redemption of open unit linked, purchase and sale of certificates and of shares; v) the ability to sign digitally through the digital certificate using the citizen's card, being some of these options already available for ActivoBank; vi) the installation of the Millennium transaction machines at Retail Branches; vii) the cross networking solution that accelerates the detection of business opportunities resulting from the assessment made to the relations established by Company Customers with the remaining entities within the scope of the ecosystem where they operate.
- Within the context of new products and services, we must point out, among other things, the new application for capturing bank deposits; ii) the new solution for the opening and maintenance of individual and company accounts, a process which is transversal to the entire network, focused mainly on simplification and dematerialisation; iii) the inclusion of preventive actions in the retail recovery management procedures; iv) online credit with immediate funding and subscription of related insurance policies; v) the launching of the M Seguros App with access to the detail of insurance policies and the download of the documents; vi) the Millennium Moove App which enables retailers to use a smartphone or tablet with an integrated payment app, with a small card reader; vii) the creation of an integrated solution for the segment Kids 0-13 and of the Non-Habitual Residents status viii) the possibility of receiving the card PIN by SMS when the same is requested using the phone channel or online; the transversal implementation in the Retail Loan App for the sending of a loan simulation, proposal or agreement by e-mail (individuals); and ix) the provision of an innovative solution that humanizes the contact with customers, who are managed online, by providing them with their Manager's photo (MContacto).

Innovation and simplification marked the launching of new tools in the digital channels of Millennium bcp, increasing the differentiation of the offer and enhancing the user's experience. In 2017 the following new tools in the several channels stood out:



## Mobile

### Individuals

- Widget for consultation of the balance of the securities account without having to log in;
- Confirm PIN reception for debit, credit or prepaid cards;
- Twin Credit Cards Activation
- MContacto and Dossier Prestige (tools exclusive for Prestige Clients);
- Changing the App language regardless of the language settings on the device;
- Personal loan simulator, online credit request and contract;
- Simulator of home loans, with online loan request;
- Western Union transfers service;
- Pending operations for savings and subscription of integrated solutions of products and services;
- MSeguros App enabling the Client to view all the information and documents regarding insurance policies.

### Companies

- Creation of an area exclusively for Aplauso 2017 Companies.
- Simplified login registry;
- Authorization of pending Factoring and Confirming operations;

### Individuals website

- The MCash Service, a tool that enables the Client to, by means of only one code generated on the website, withdraw money at a Millennium bcp Branch;
- Request a PIN by SMS to activate the card;
- A new mortgage loan simulator that allows the Client to save and send the simulations, as well as send the loan request for analysis. New area to view the simulations saved and follow-up the current situation of the proposals.

## Digital Sales

The Bank tried to improve sale processes so as to ensure a dynamic experience during all the moments of the digital experience and, in this way, increase and enhance the consumption experiences.

In 2017 we can especially highlight:

- Improvement of the online consumer loans simulator and inclusion of the sale of the insurance policies associated with the consumer loan in the digital channels. The sale of Personal Loans through the digital platforms increased from 4% in 2016 to 9% of the Bank's total sales. Introduction of a new mortgage loan simulator on the website and App.
- Millennium bcp is leader in Portugal in online brokerage, with a 23% share, a position it had not achieved for more than 10 years. The MTrader solution significantly contributed to the achievement by the Bank of this leading position. This stock exchange information and trading platform, innovative and distinctive in the Portuguese market, was distinguished in 2017 with the award Best Capital Market Promotion Initiative, attributed by Euronext, and won the category Agile of the Millennium Valores awards, receiving an honourable mention in the category Modern.
- The term deposit exclusive to the Millennium App significantly contributed to the capture of new Customer funds. The weight of the digital channel in savings already represents 24% of total transactions, 32% in Investment Funds and 65% in certificates.

## Communication with Customers

In 2017, the communication of Millennium consolidated the positioning and values launched in 2016 based on the commitment – “Aqui Consigo” (Here with you/Here I can).

As the beginning of the year represented a turning point in the Bank's history, due to the conclusion of the restructuring plan, the communication developed during 2017 was driven by that renewal and new beginning. In fact, all the communication actions made throughout the year were the unquestionable image of the intention to provide an offer that will allow the Bank to become a true partner in the day-to-day's activities of its Clients, complemented with a service of excellence and an increasing commitment towards technological innovation.

The commercial communication maintained its focus on innovation and in the capture of new clients, trying to reach all business segments.

Together with the Institutional campaign - which enabled Millennium to strengthen its commitment to the market and with its Clients, translated in the statement “Um Banco que esteve, está e sempre estará aqui consigo” (A bank that was, is, and will always be with you) – we must underline the set of credit products campaigns for individuals and also the communication developed for companies (especially focused on Portugal 2020 funding, through events held throughout the country) and for Residents abroad, namely the usual summer festivities held during August..

This Communication strategy continues to strongly rely on digital channels and on social networks, namely YouTube, Instagram, LinkedIn and Facebook (enabling Millennium to become leader in the bank industry regarding interactions with its users), together with a policy of sponsorship of events that guarantees a strong presence of the Bank near Clients and Non-Clients.







In this particular, highlights include the sponsoring of the Millennium Estoril Open, the Festival ao Largo Millennium, the RFM Somnii, as well as the Online Dance Company powered by Millennium, of which Millennium is the exclusive sponsor and whose digital videos and live performances enabled the Bank to considerably increase its relation with young people, reflected in the significant growth in the number of Clients in the Youth segment. On the other hand, we must point out the events held for clients such as the Jornadas Millennium from the north to the south of Portugal, as well as the launching of the Millennium Horizontes Awards, which aim at distinguishing the companies with a greater success in innovation, exports, internationalisation and micro-enterprises.

The communication strategy developed by Millennium has been recognized, year after year, by different official entities and in 2017, the Bank won a number of high prestige and recognition awards, including: the Gold Efficiency Award in Financial Services and Insurances with the “Aqui Consiogo” campaign; the Silver Award in the category Banking, Finances and Insurances of the Meios & Publicidade Marketing Awards for the “Aqui Consiogo” campaign; Marketeer Award in Banking and, for the 13th consecutive time, Millennium bcp was considered a Superbrand.

## MAIN AWARDS RECEIVED

In 2017, the Group's Banks received several awards, of which the following are noteworthy:

	Consumer Choice Award 2018 Consumer Choice Award Portugal		Best Consumer Digital Bank Global Finance. Portugal and Poland
	Best website Award PC Guia Portugal		Best Consumer Digital Bank Global Finance. Portugal and Poland
	Best Foreign Exchange Bank Global Finance. Portugal		Banking Category Marketeer Portugal
	Communication Efficiency Efficiency Awards Portugal		Best Commercial Bank World Finance Activobank Portugal
	Best Training and Development Academy HR Awards		#1 in traditional and mobile banking Newsweek Friendly Bank Poland
	Best financial services website/App ACEPI Navegantes Portugal		Best Bank in Social Responsibility Euromoney Poland

	<p>The closest Bank, more innovative and with more appropriate products Data E</p> <p>Portugal</p>		<p>Best Bank in Mozambique</p> <p>The Banker and Global Finance Mozambique</p>
	<p>Consumer's Choice</p> <p>Superbrands</p> <p>Portugal and Mozambique</p>		<p>Best Bank</p> <p>Euromoney Mozambique</p>
	<p>Model for the transformation of a Branch</p> <p>Celent Model Bank Award</p>		<p>Best Bank in Trade Finance</p> <p>Global Finance. Mozambique</p>

## COMPETITIVE POSITIONING

At the end of December 2017, Millennium bcp was the largest Portuguese privately-owned bank with a relevant position in the countries where it operates.

The Bank offers a wide range of banking products and financial services, directed at Individuals and Companies, has a leading position in the Portuguese financial market and is positioned to benefit from the recovery of the Portuguese economy, mainly through the support that the Bank provides to Companies.

Its mission of ensuring excellence, quality service and innovation are values which make the Bank distinctive and differentiated versus the competition.

On 31 December 2017, operations in Portugal accounted for 72% of total assets, 75% of total loans to Customers (gross) and 73% of total customer funds. In December 2017, the Bank had over 2.4 million Customers in Portugal and market shares of 17.4% and 17.2% for loans to Customers and customer deposits, respectively.

Millennium bcp is also present in the five continents of the world through its banking operations, representation offices and/or commercial protocols, serving over 5.4 million Customers, at the end of December 2017.

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, with 27.3% of loans and advances to Customers and 26.9% of deposits. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

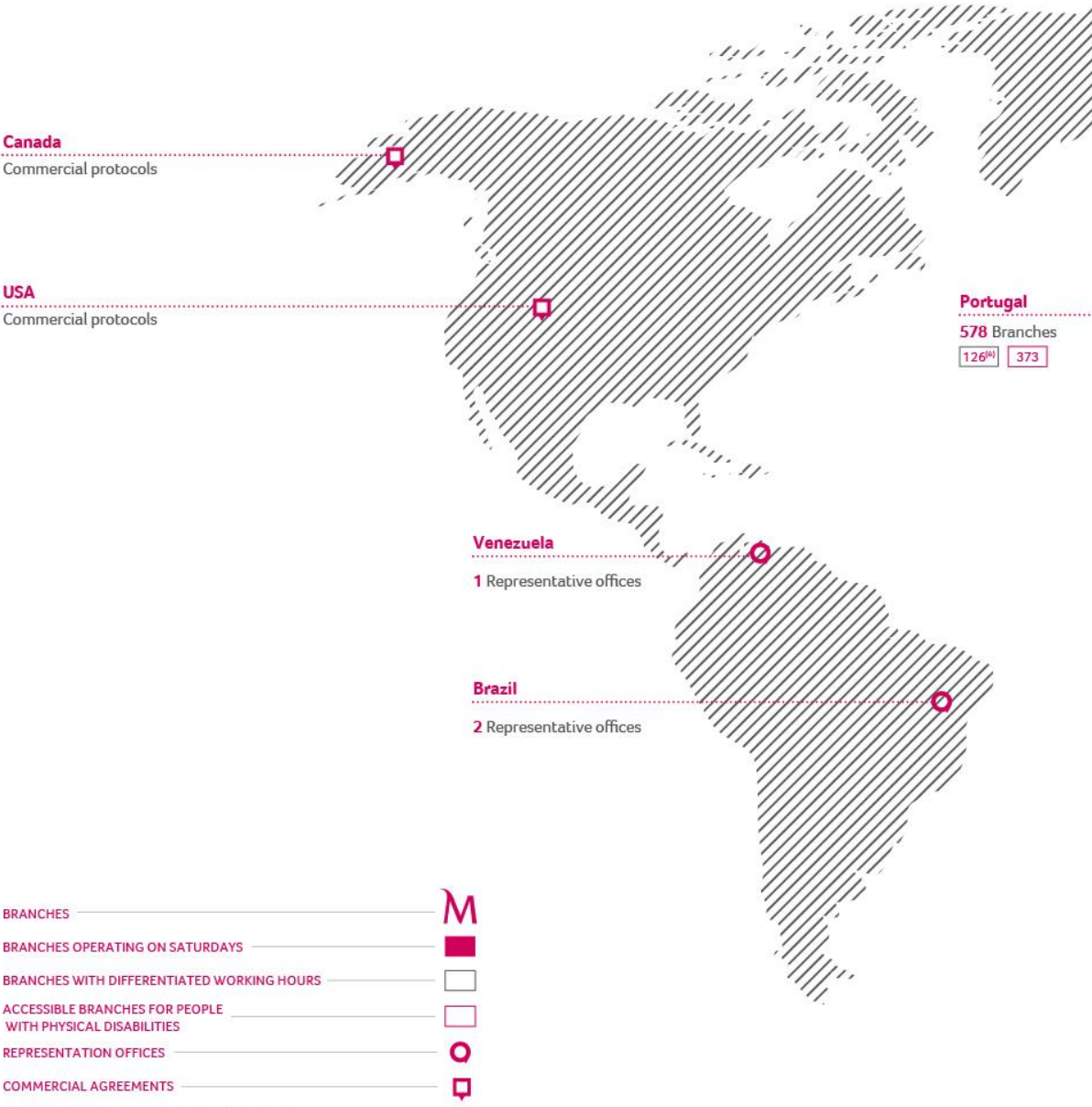
The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. As at 31 December 2017, Bank Millennium had a market share of 4.4% in loans to Customers and of 5.0% in deposits.

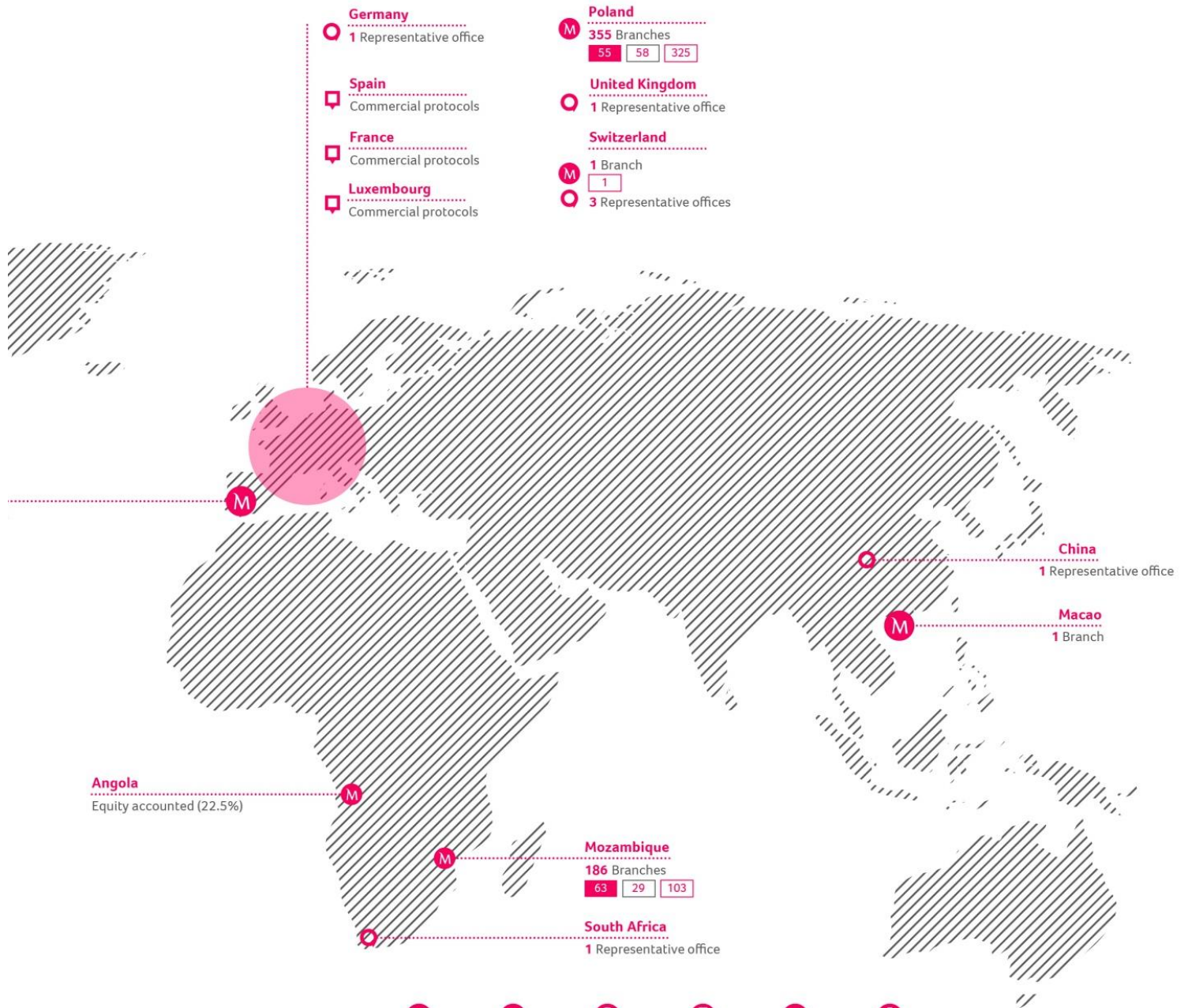
The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on rigorous research and profound knowledge of financial markets, underpinned by a robust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

The Group has also been present in Asia 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, 2 in Germany, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou and 1 in South Africa) and 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).



(\*) Includes branches of different networks sharing the same premises.



	Customers	Internet	Call Centre	Mobile Banking	ATM <sup>(*)</sup>	POS <sup>(**)</sup>
<b>Portugal</b>	2,441,831	655,578	211,416	310,217	1,963	53,178
<b>Poland</b>	1,642,604	1,154,535	138,011	807,957	483	-
<b>Switzerland</b>	1,890	526	-	-	-	-
<b>Mozambique</b>	1,338,768	19,907	3,576	499,419	504	9,526
<b>Macao</b>	3,462	-	-	-	-	-

Note: in Portugal are considered Customers/active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days.

(\*) Automated Teller Machines.

(\*\*) Point of Sales.

## Performance versus the Strategic Plan Objectives

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

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

On 31 December 2017, the regulatory capital ratio Common Equity Tier I (CET1), in accordance with the phased-in and fully implemented criteria, stood at 13.2% and 11.9%, respectively, both above the target for 2018 of around 11%. The loan-to-deposits liquidity ratio stood at 93%, complying with the objective defined for 2018 (<100%).

The Cost to Income ratio stood at 43.4% in 2017, above the 43% defined as the maximum threshold for 2018 and the Cost Core Income (46.4%) is aligned with the target for 2018 (<50%).

The cost of risk is still above the objective set forth for 2018 (122 b.p. vs target of <75 b.), although it showed a rather positive performance versus 2016 (216 b.p.) due to the relevant decrease in impairment and provisions.

ROE<sup>3</sup> stood at 4.4%, below the objective of approximately 10% defined for 2018, but also evidencing a positive performance versus 2016 (0.5%).

The accumulated NPE reduction from 2016 to 2017 was 3 billion euros, with the target achieved one year ahead of schedule.

	2017
<b>CET1<sup>1</sup></b>	Phased-in: 13.2%
	Fully implemented: 11.9%
<b>Loans-to-Deposits</b>	93%
<b>Cost-to-Income</b>	43.4%
<b>Cost-Core Income<sup>2</sup></b>	46.4%
<b>Risk Cost</b>	122 bp
<b>ROE<sup>3</sup></b>	4.4%
<b>Accumulated reduction of NPE (2016-2017)</b>	3 billion Euros

<sup>1</sup> Amounts estimated including the year's earnings

<sup>2</sup> Core income = net interest income + fees.

<sup>3</sup> Based on a fully implemented CET1 ratio of 11%.