



Miguel Maya
Chairman of the Executive
Committee and Vice-Chairman
of the Board of Directors



Nuno Amado
Chairman of the
Board of Directors

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 success 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

Executive Committee



Maria José Campos
Vogal of the
Executive Committee

Rui Manuel Teixeira
Vogal of the
Executive Committee

Miguel Bragança
Vice-Chairman of the
Executive Committee



Miguel Maya
Chairman of the
Executive Committee

João Palma
Vice-Chairman of the
Executive Committee

José Miguel Pessanha
Vogal of the
Executive Committee



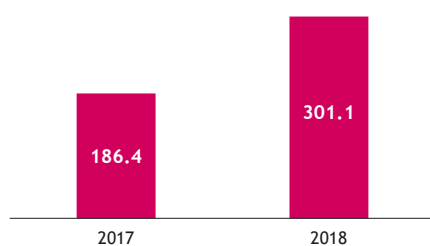


Information on the BCP Group

BCP in 2018

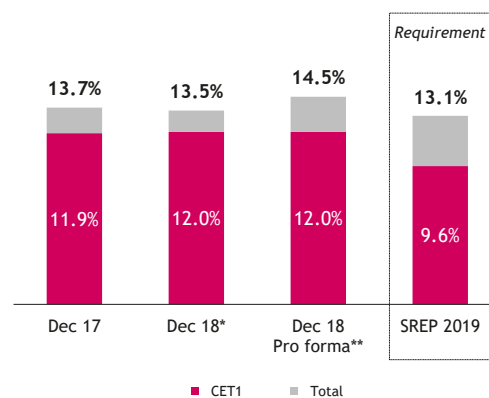
Improved profitability

(Consolidated net earnings, million euros)



Strengthened capital

(Fully implemented capital ratios)

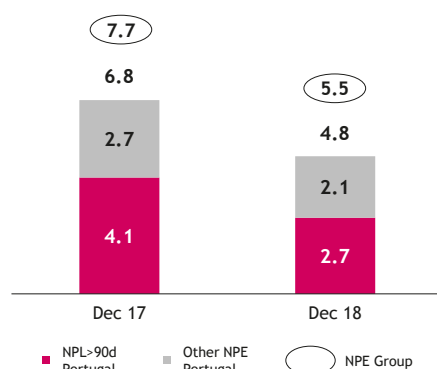


*Including non-audited earnings for 2018.

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

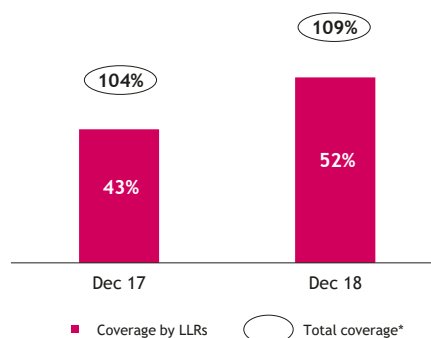
Improved asset quality

(Non-performing exposures, billion euros)



Increased NPE coverage

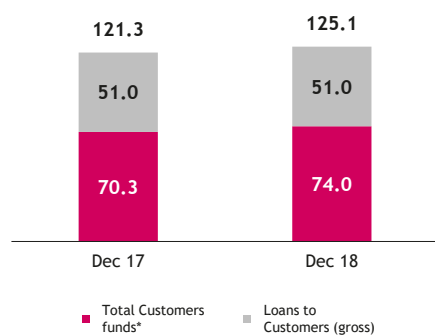
(As a % of non-performing exposures)



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

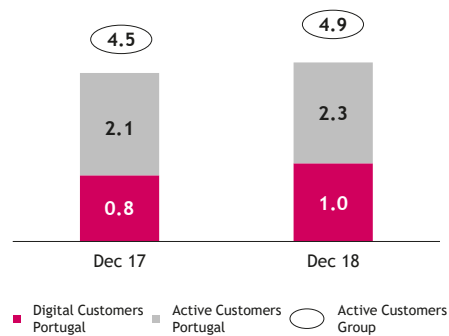
Increasing business volumes

(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	

(Continues)

- (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.

(Continuation)

	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 interbank 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%	
ACCESSIBILITIES							
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)	tCO ₂ eq	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 Mozambique since 2015.

(7) Data include electricity 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.

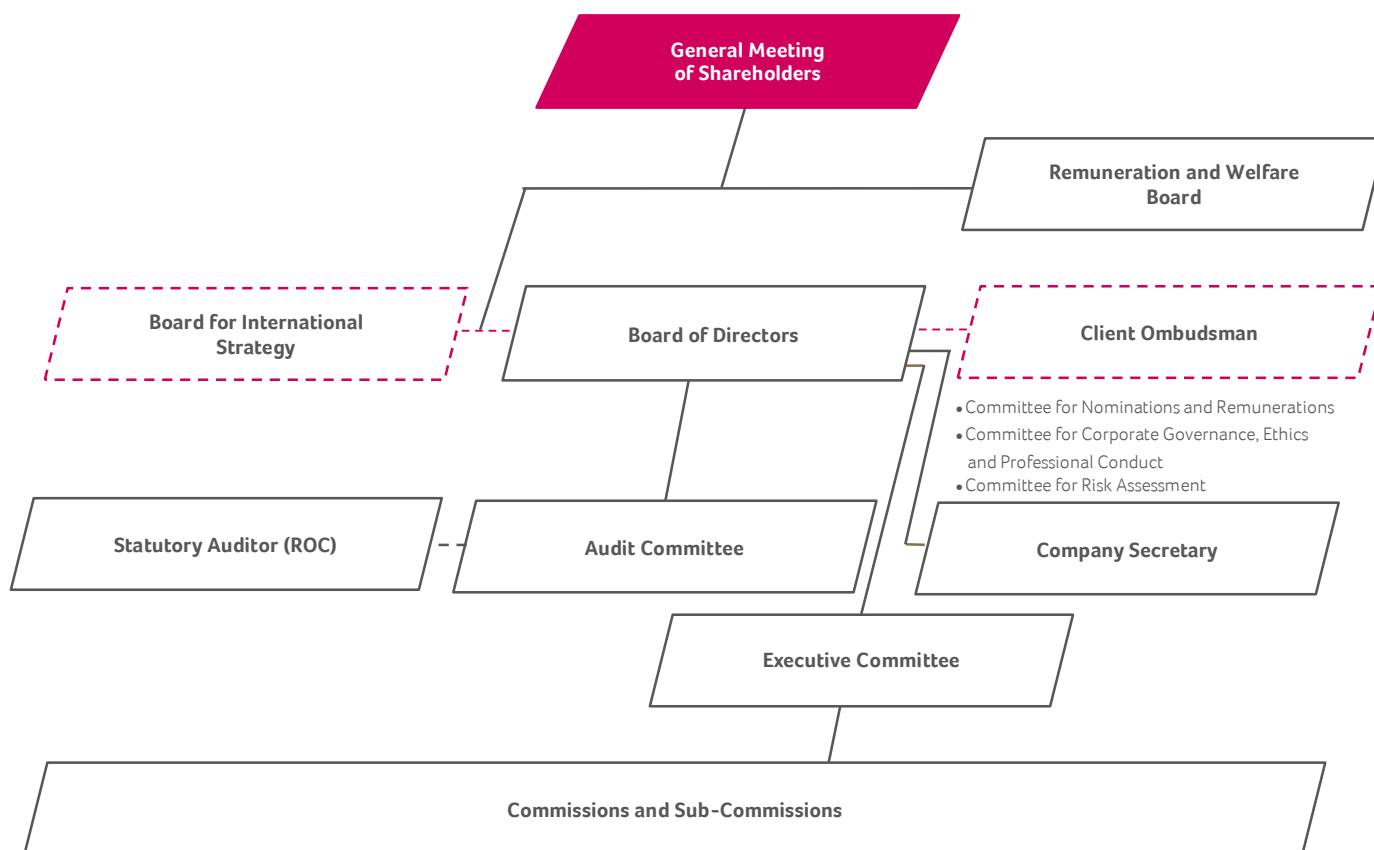
The Board of Directors appointed an Executive Committee (EC) composed of 6 of its members, to which it delegates the day-to-day management of the Bank. The Executive Committee is assisted in its management functions by several commissions and sub-commissions which oversaw the monitoring of certain relevant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



- Costs and Investments
- Costs and Investment Sub-Commission
- Corporate & Investment Banking
- Human Resources
- Retail
- Compliance

- Project Mobilizar
- Credit
- CALCO
- Risk
- Validation and Monitoring of Models Sub-Commission
- Monitoring NPA (non-performing assets)

- Pensions Funds Risk Monitoring
- Quality, Security and Data Protection
- Operations Risk and Internal Control Monitoring
- Work Relations

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.

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) Adjusted by the share capital increase completed in February 2017

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

(5) 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



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 (up-date)	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:



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 2021 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

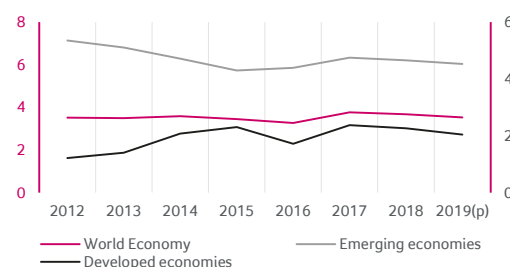
World's economic environment

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

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



Source: IMF WEO (Jan 2019)

prospects in China.

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.

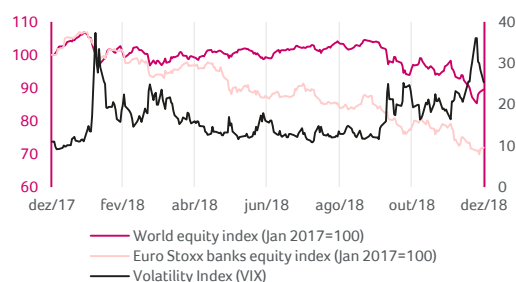
In terms of foreign exchange, the gain in momentum of the economic activity and of wages in the USA motivated the intensification of the cycle of growth in interest rates by the Federal reserve which determined the appreciation of the USD versus the

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

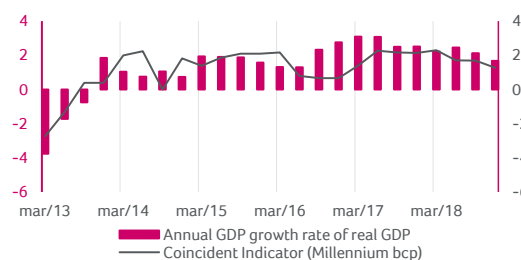
Outlook for the Portuguese economy

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 trans-forming 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



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

**Portugal**

546 Branches

112^e 462**Germany**

1 Representative office

**Poland**

361 Branches

56 58 251

**Macao**

1 Branch

**Spain**

Commercial protocols

**Luxembourg**

Commercial protocols

**South Africa**

1 Representative office

**China**

1 Representative office

**France**

Commercial protocols

**Switzerland**

1 Branch

1

**Mozambique**

193 Branches

30 64 152







**Angola**Partnership in which
BCP holds 22.7%**United Kingdom**

1 Representative office

**Switzerland**

3 Representative offices



	 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.



BUSINESS
Trending

16,203+ 🏠
7,410+ 🏠
4,991+ 🏠
2,007+ 🏠

24%

10%

15%



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 total 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

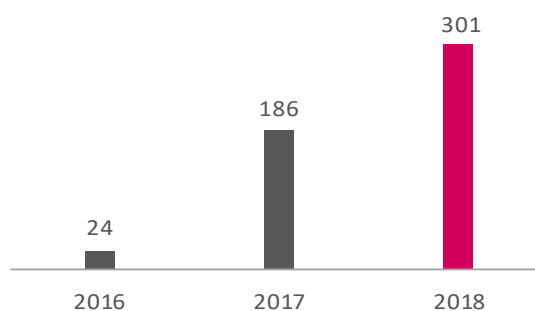
Net income

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					2017	2016
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total		
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 Portugal¹, 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).

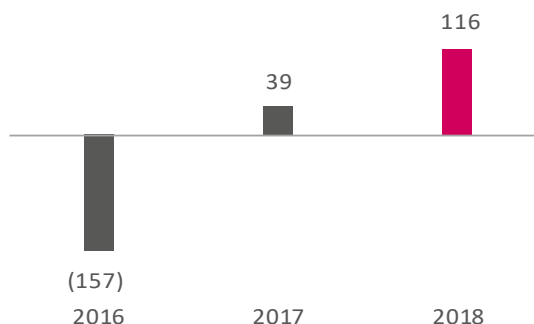
Bank Millennium in Poland reached a net income of 178 million euros in 2018, showing an increase of 18 million euros compared to 160 million euros in 2017, arising from the increase in net interest income, mainly associated with growth in business volume, and by the improvement of cost of risk, despite 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.

NET INCOME

Activity in Portugal

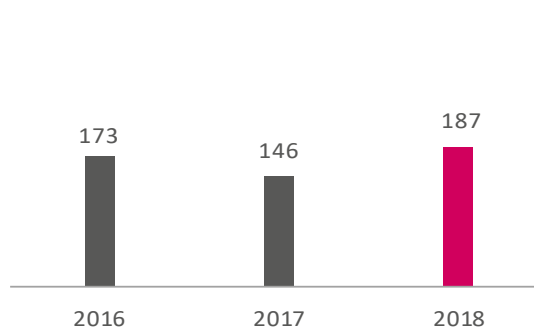
Million euros



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.

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

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

	2018	2017	2016	Chan. % 18/17
Euro million				
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.

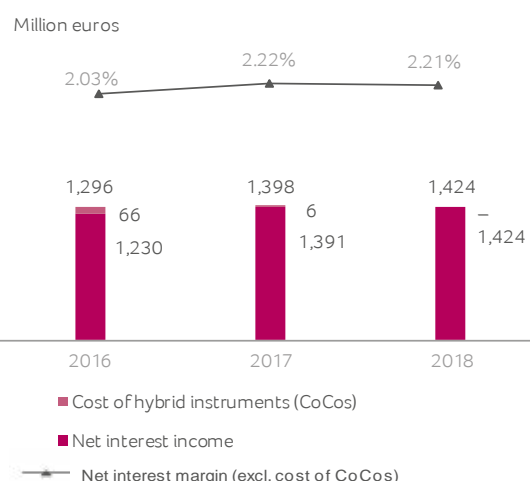
Note: Net income of 2018 (after taxes and non-controlling interests) attributable to the international operations amounted to 187 million euros. For the same period, net income from Poland amounted to 178 million Euros (of which 89 million euros attributable to the Bank). The net income from Mozambique 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.

NET INTEREST INCOME



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.

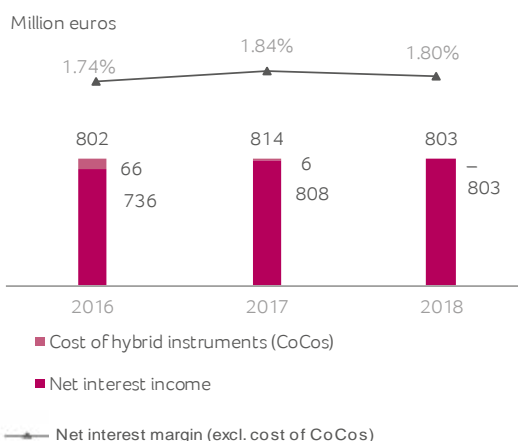
The favourable performance shown by net interest income of the international activity in 2018, compared to the previous year, was mainly determined by the growth of profits generated by the securities portfolio, which more than counterbalanced the reduction in interest related to loans to customers.

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.

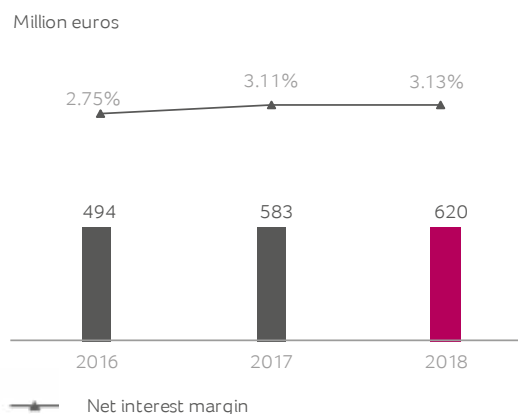
NET INTEREST INCOME

Activity in Portugal



NET INTEREST INCOME

International activity



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 the reduction of interest rates. The decrease in loans to customers and their average interest rate have mitigated the growth in net interest income.

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 accounting 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, though 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.

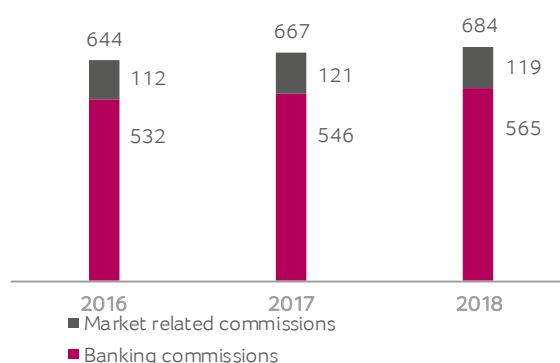
Commissions related to the banking business evolved positively from 546 million euros recorded in 2017 to 565 million euros registered in 2018, mainly reflecting the growth of commissions related to cards and transfers and to loans and guarantees, in both cases benefiting from the performance of the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

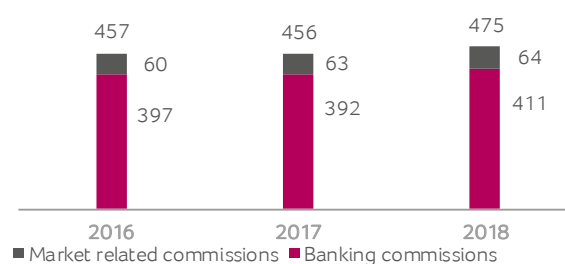
Million euros



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				
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 financial 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.

The performance of the net trading income in the activity in Portugal was large conditioned by the

NET TRADING INCOME

Million euros



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

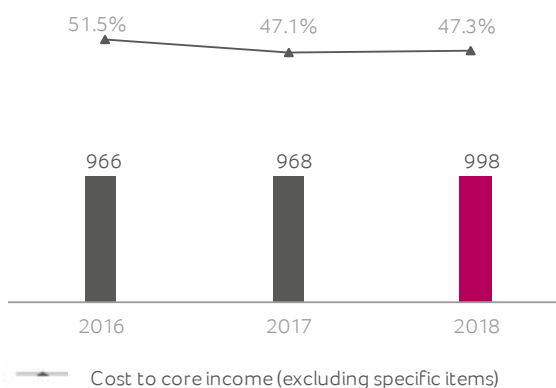
Operating costs include staff costs, other administrative costs and depreciation. In 2018, excluding the effect of specific items², operating costs totalled 998 million euros, standing 3.0% above the 968 million euros registered in the previous year, driven largely by the increase in the international 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.

OPERATING COSTS

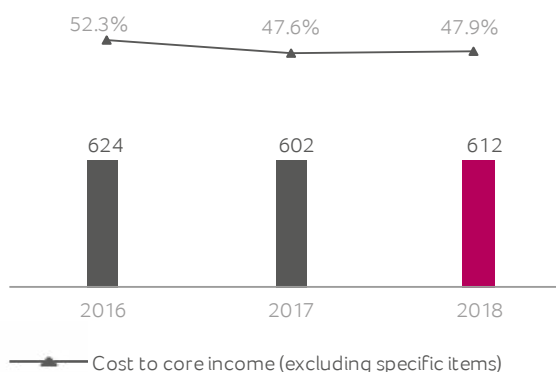
Million euros



OPERATING COSTS

Activity in Portugal

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.

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.

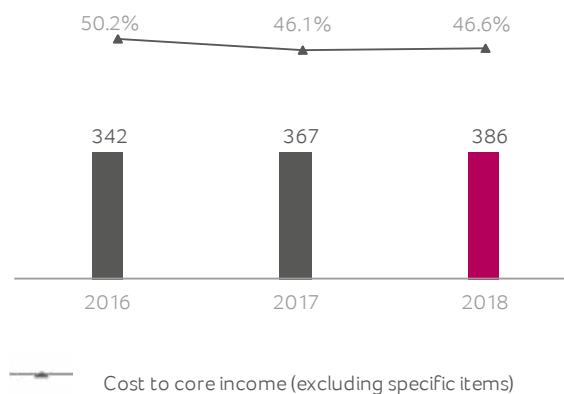
In the activity in Portugal, the cost to core income ratio reached 47.9% in 2018, compared to 47.6% in 2017, reflecting increases in the core income base on the one hand and in operating costs, on the other.

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

International activity

Million euros



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.

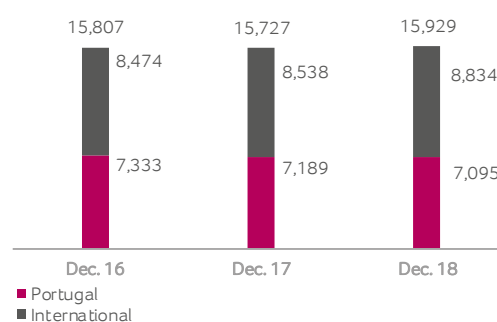
Staff costs

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

EMPLOYEES



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.

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

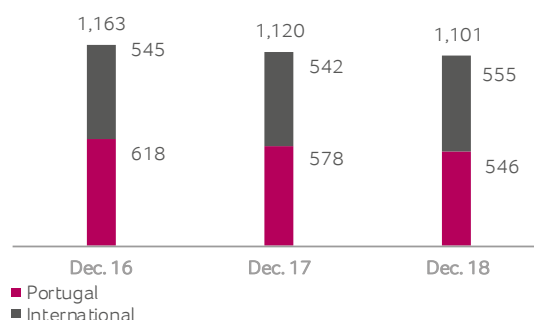
Other administrative costs, excluding the effect of specific items above mentioned, stood at 374 million euros in 2018, remaining stable compared to the amount recorded in the previous year (374 million euros). Just like 2017, the stability shown by other administrative costs on a consolidated basis 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.

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

BRANCHES



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.

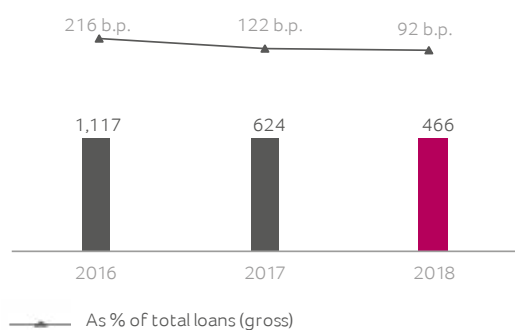
Loans impairment

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



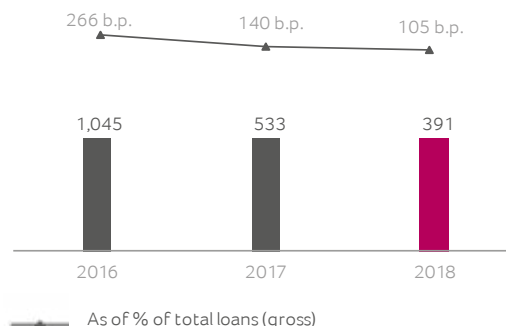
Loans impairment (net of recoveries) in the international activity also showed a very favourable performance by falling 16.8% against the 91 million euros recorded in the previous year, amounting to 75 million euros in 2018, and it should be highlighted the lowest level of impairment charges recognized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

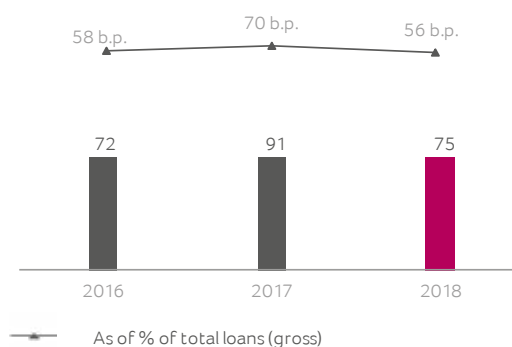
Million euros



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 institutional 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

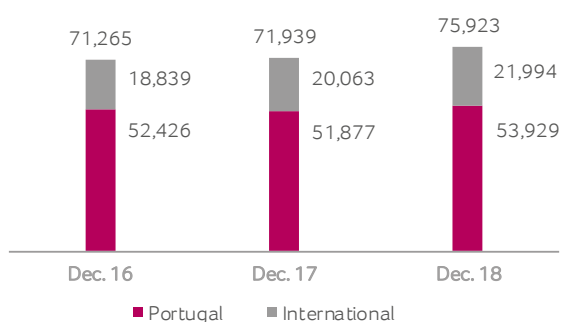
* Includes trading derivatives.

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

TOTAL ASSETS

Million euros



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.

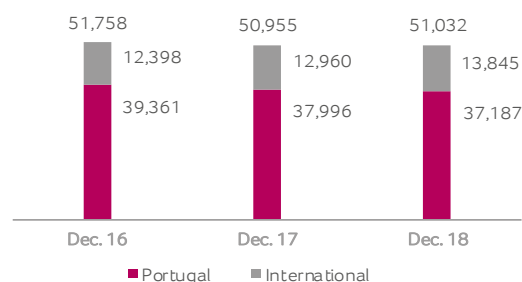
Loans to customers

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.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

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 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%

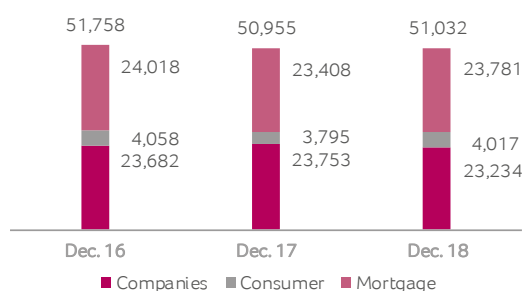
Consolidated loans to customers (gross) before impairment maintained similar and balanced standards of heterogeneity in the period of time comprised between 31 December 2017 and 31 December 2018, with loans to individuals representing 54.5% (53.4% in 2017) and loans to companies 45.5% (46.6% in 2017)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

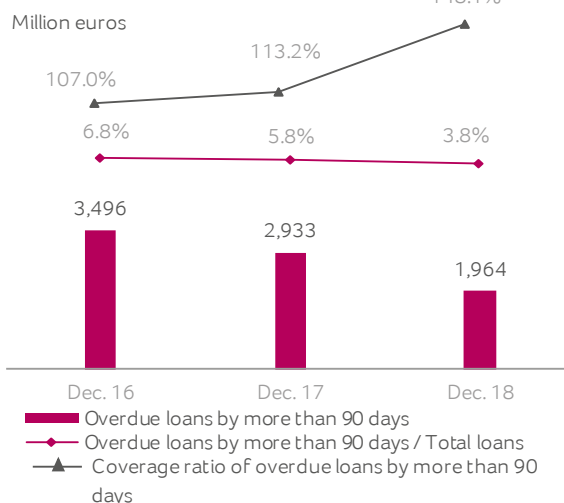
LOANS AND ADVANCES TO CUSTOMERS GROSS

	2018	2017	2016	Euro million 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



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

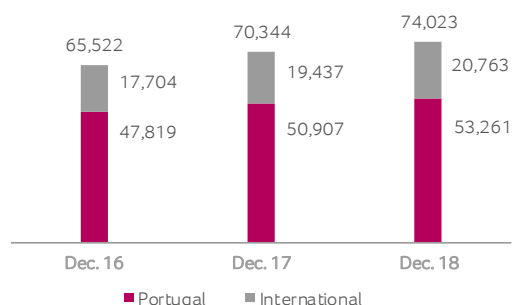
On 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the 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

TOTAL CUSTOMER FUNDS

Million euros



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.

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

	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.

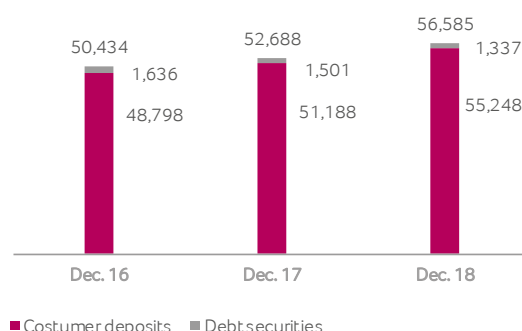
Debt securities, which correspond to the Group's debt securities subscribed by customers amounted to 1,337 million euros on 31 December 2018, registering a reduction of 164 million euros compared to 1,501 million euros recorded at the end of the previous financial year, due to the activity in Portugal.

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 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.

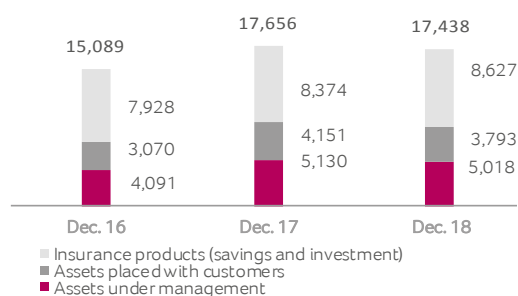
BALANCE SHEET CUSTOMER FUNDS

Million euros



OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



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.

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.

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.

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 "Consequimos 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.
- 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).

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;

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 2018³).
- 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 #1 Bank 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);

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.

- 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 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 granting 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 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 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 Mobile 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 shop 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 Sudaçor (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.

 <p>Lagoas Park</p> <p>MANDATED LEAD ARRANGER</p> <p>Refinancing</p> <p>260,000,000 €</p> <p>2018</p> 	 <p>IGCP E.P.E.</p> <p>JOINT GLOBAL COORDINATOR</p> <p>Floating Rate Bond Issue Due July 2027</p> <p>1,000,000,000 €</p> <p>2018</p> 	 <p>ETERMAR</p> <p>MANDATED LEAD ARRANGER</p> <p>Acquisition Finance</p> <p>Undisclosed</p> <p>2018</p> 	 <p>MOTAENGIL</p> <p>JOINT MANAGER</p> <p>Public Exchange Offers and Subscription Offer 2018-2022</p> <p>110,000,000 €</p> <p>2018</p> 
 <p>Iberwind</p> <p>MANDATED LEAD ARRANGER</p> <p>Refinancing of Hammer II Wind Farm Portfolio</p> <p>578,900,000 €</p> <p>2018</p> 	 <p>celbi</p> <p>SOLE LEAD MANAGER</p> <p>Bond Issue Due 2026</p> <p>50,000,000 €</p> <p>2018</p> 	 <p>TEIXEIRA DUARTE</p> <p>FINANCIAL ADVISORY</p> <p>Financial advisory in the sale of Lagoas Park to Kildare</p> <p>375,000,000 €</p> <p>2018</p> 	 <p>galp energia</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>100,000,000 €</p> <p>2018</p> 
 <p>REN</p> <p>JOINT LEAD MANAGER</p> <p>1,75% Notes Due 2025</p> <p>300,000,000 €</p> <p>2018</p> 	 <p>VIOLAS</p> <p>JOINT LEAD MANAGER</p> <p>Acquisition Finance of a stake in Viacer SGPS</p> <p>328,000,000 €</p> <p>2018</p> 	 <p>SAUDAÇOR</p> <p>LEAD MANAGER</p> <p>Bond Issue Due 2023</p> <p>65,000,000 €</p> <p>2018</p> 	 <p>edp</p> <p>FINANCIAL ADVISORY</p> <p>Financial advisory in the sale of EDP Small Hydro to Aquila Capital</p> <p>164,000,000 €</p> <p>2018</p> 
 <p>TMG</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>31,000,000 €</p> <p>2018</p> 	 <p>YILPORT</p> <p>MANDATED LEAD ARRANGER</p> <p>Financing of port concessions of Yilport Iberia in Portugal</p> <p>279,806,000 €</p> <p>2018</p> 	 <p>JAP</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>20,000,000 €</p> <p>2018</p> 	 <p>farminveste SGPS, SA</p> <p>SOLE LEAD MANAGER</p> <p>Convertible Bonds 2018-2021</p> <p>5,000,000 €</p> <p>2018</p> 
 <p>edp</p> <p>JOINT LEAD MANAGER</p> <p>Green Bond Inaugural 2018-2025</p> <p>600,000,000 €</p> <p>2018</p> 	 <p>Banco de Portugal</p> <p>JOINT LEAD MANAGER</p> <p>Bond Issue Government Guaranteed Due 2022</p> <p>455,000,000 €</p> <p>2018</p> 	 <p>PSA SINES</p> <p>MANDATED LEAD ARRANGER</p> <p>Refinancing of PSA Sines</p> <p>Undisclosed</p> <p>2018</p> 	 <p>SONINCO</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>30,000,000 €</p> <p>2018</p> 

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		
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 through 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 strength 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 Média, 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 Customers⁴), 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).

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	

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

		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%	≈40%
		(46% without non-usual items, € 26.7 million related to restructuring charges related to staff)	
	ROE	5.2%	≈10%
	CET1	12.0%	≈12%
	LTD	87%	<100%
	Dividend payout	10%	≈40%
		EC proposed to the Board of Directors to approve a proposal to submit to the GM	
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	<ul style="list-style-type: none"> 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	↔	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	↔	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	↓	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	↔	<ul style="list-style-type: none"> 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

(Continues)

(Continuation)

Risk	Sources of risk	Risk level	Trend	Interactions
CAPITAL				
Market risk	<ul style="list-style-type: none"> Volatility in capital markets 	Low	↔	<ul style="list-style-type: none"> Market uncertainty Central Banks monetary policies Profitability of the assets of the pension fund Lower trading income
Operational risk	<ul style="list-style-type: none"> Inherent to the Group's business 	Low	↔	<ul style="list-style-type: none"> Streamlining processes Degrading controls Increased risk of fraud Data base security Business Continuity
Concentration risk	<ul style="list-style-type: none"> Concentration of assets of some size 	Medium	↔	<ul style="list-style-type: none"> Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	<ul style="list-style-type: none"> 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	↔	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	↔	<ul style="list-style-type: none"> 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.

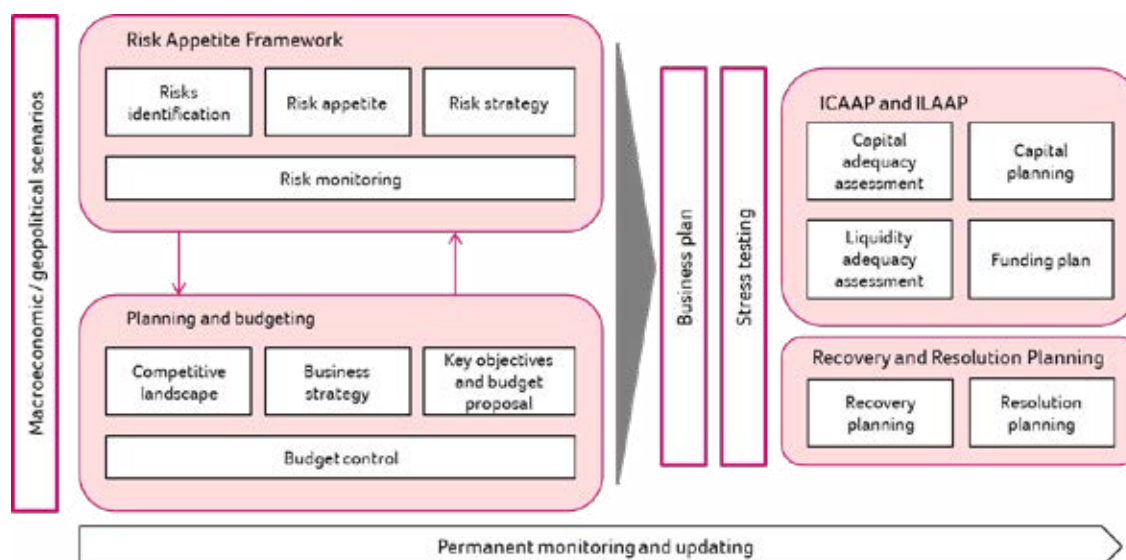
Integration between the business and risk management

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 envioning 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

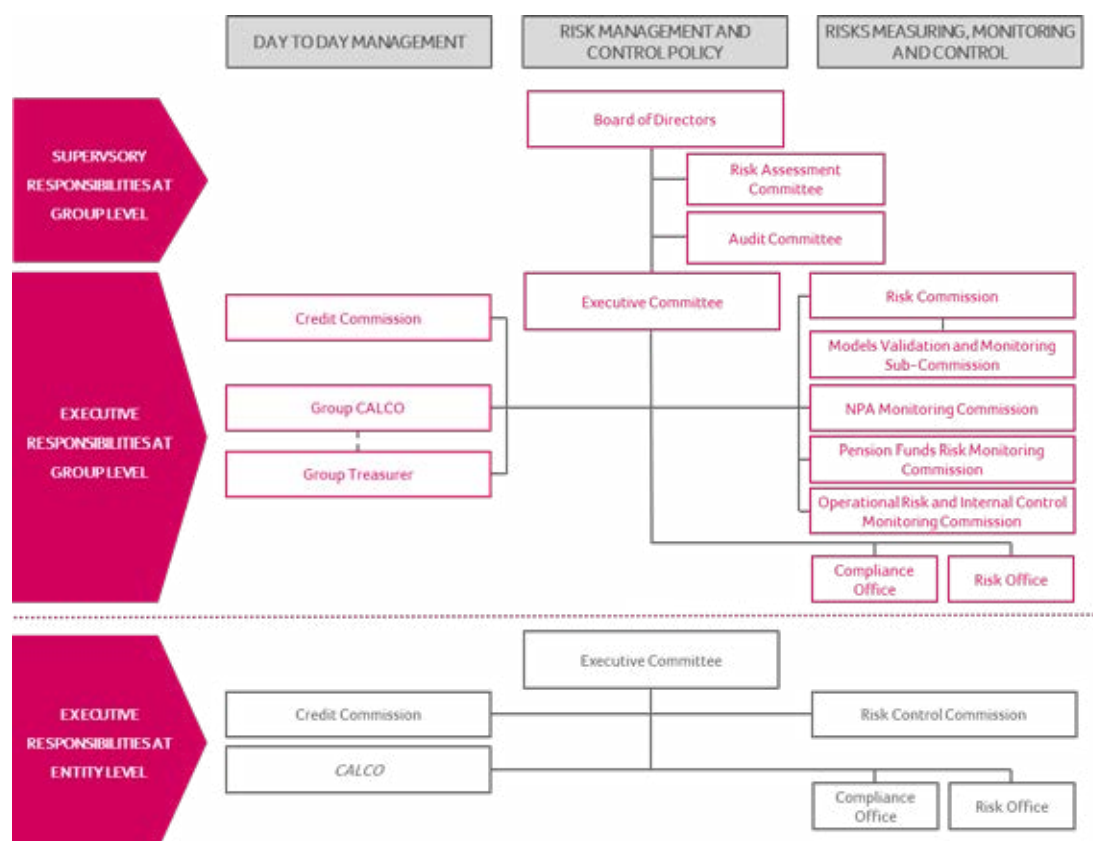
Group's organizational units - based on adequate training and awareness of risks, as well as on the framing of activities through a complete and detailed regulations' structure - while the third line of defence is developed through the internal supervision/independent review function (IRF) ensured by 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 Commission^(*)

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 activities 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.

Geography	Dec 18	Dec 17	(Million euros)	
			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 Millennium, 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).

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

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 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 meticaís (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).

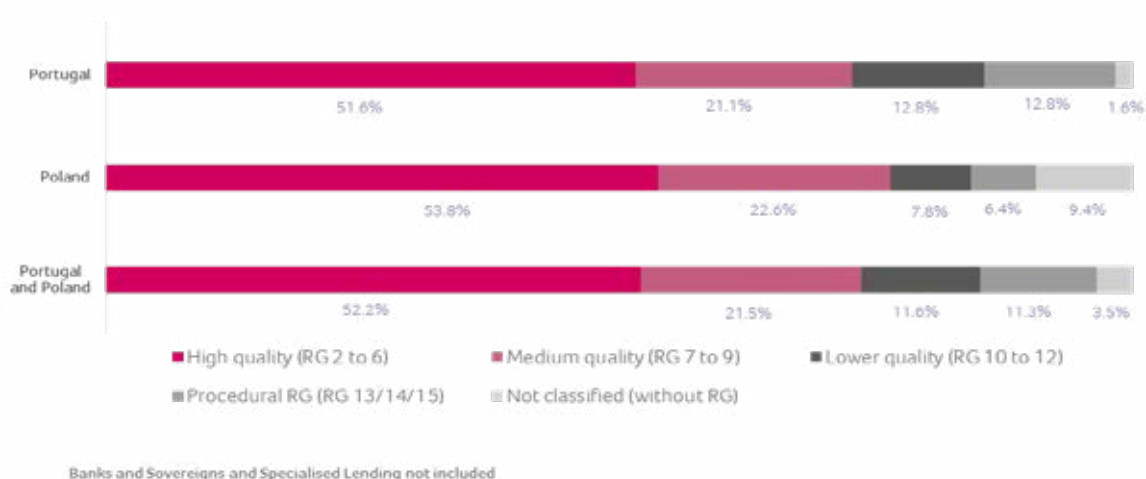
Regarding the distribution Bank Millennium's portfolio (in Poland) by risk segments, there are no significant changes in the respective weights between December 2017 and December 2018, except for the class of positions secured by mortgage guarantees in which it a slight reduction in weight occurred (from 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.



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 debtors' 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 RG, 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 ahead.

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 31/12/2018:

	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.

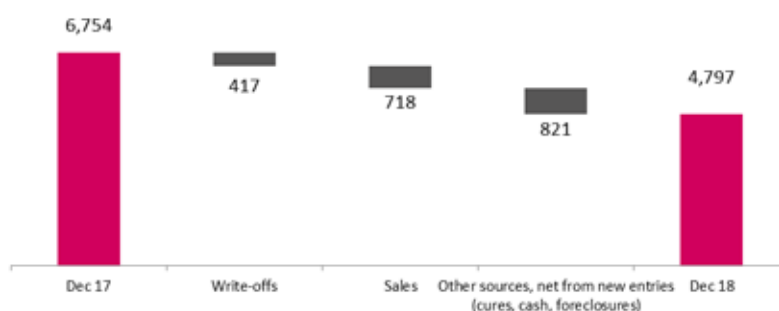
The Bank's NPA Reduction Plan has registered very positive results, higher than initially projected. The annual review of the Plan occurred in March 2018, with upwards adjusted targets, to reduction levels higher than those established in the previous review. Subsequently, in August 2018, an extraordinary 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 - 27.6%	6,308	6,665	7,122	7,658
PORTUGAL	4,797 - 29.0%	138	5,913	6,282	6,754

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 - FA), the next table shows the evolution of its stock - with a breakdown regarding the different asset types - between December 2014 and December 2018, before impairment:

	(Million euros)						
	Dec. 18	Sep. 18	Jun. 18	Dec. 17	Dec. 16	Dec. 15	Dec. 14
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 and the Compliance Office represent the 2.nd 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).

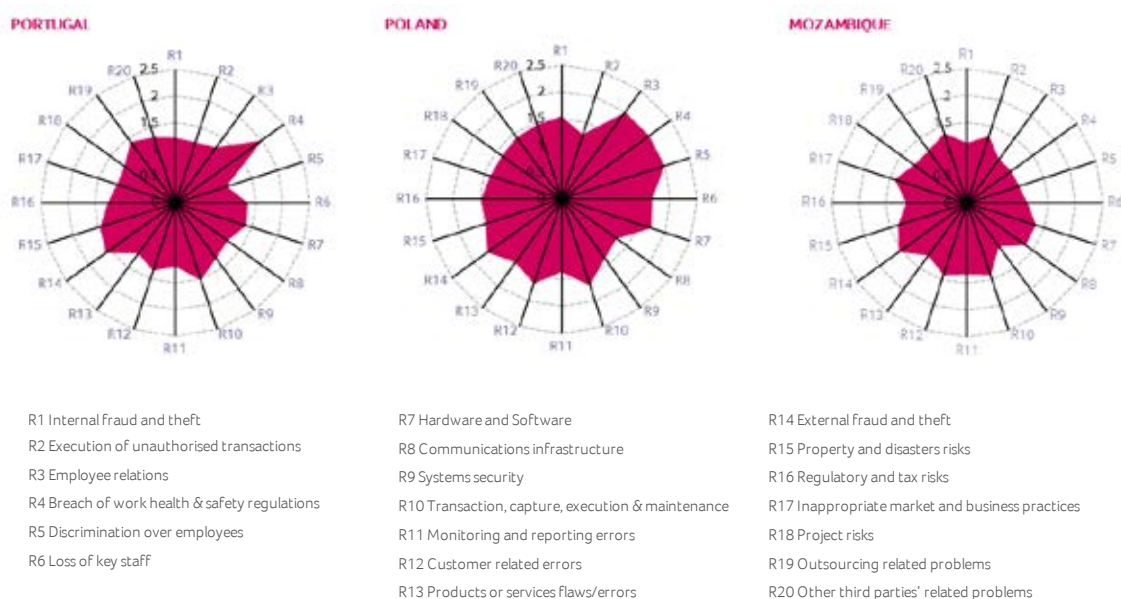
Risks self-assessment (RSA)

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).



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 contributes 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
<i>Diversification effects</i>	<i>(483)</i>	<i>(336)</i>	<i>(592)</i>	<i>(471)</i>	<i>(730)</i>
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.

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

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.

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 shorter 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).

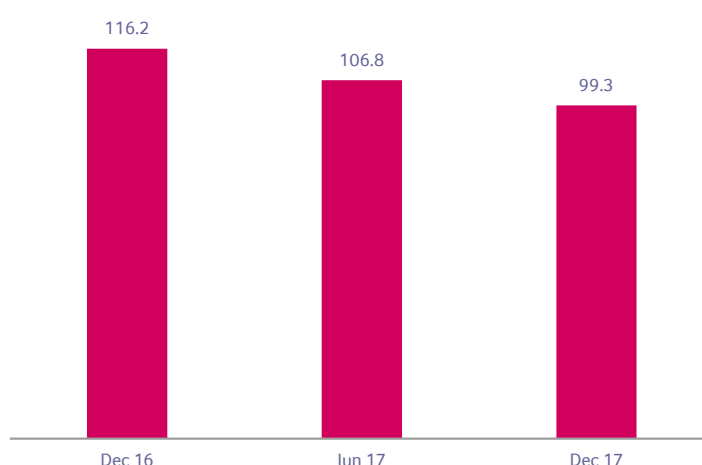
In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component 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, in 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 an increase of about 47%.

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



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.

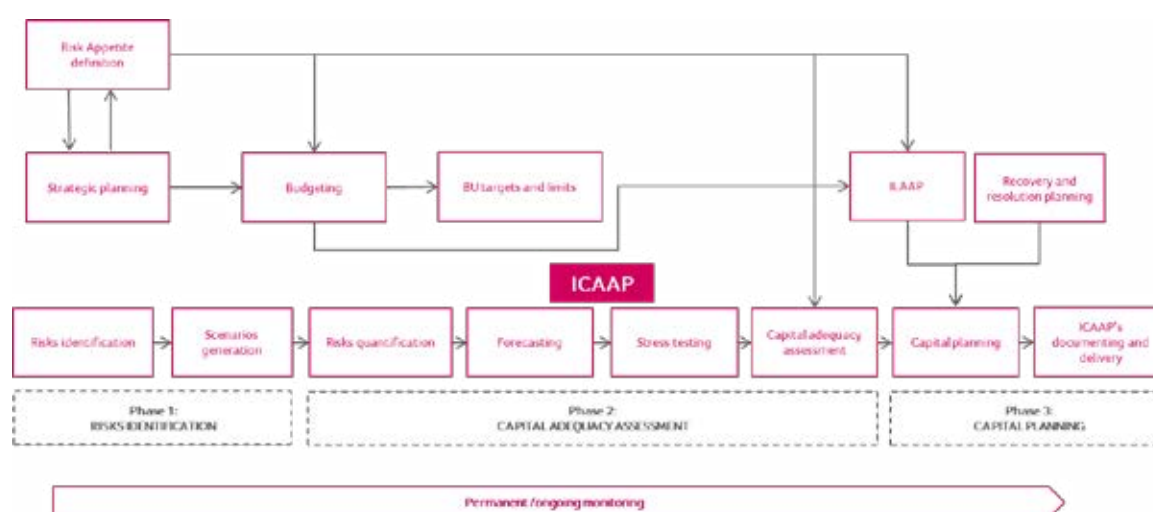
The responsibilities for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

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.

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.

^(*) Basically, Private Equity and Absolute Return funds.

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 assumes a Risk Taking Capacity aligned with the definition of regulatory capital ratios under Directive 2013/36/EU and Regulation (EU) 575/2013 ("CRD IV" and "CRR", respectively), based on the regulatory definition of CET1 Own Funds (Common Equity Tier 1).

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.

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).

^(*) International Financial Reporting Standard 9 Financial Instruments

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 phased-in ratio);
- The organic generation of capital, contributing positively to the performance of capital ratios on this period.

SOLVENCY RATIOS

(Euro million)

				(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.

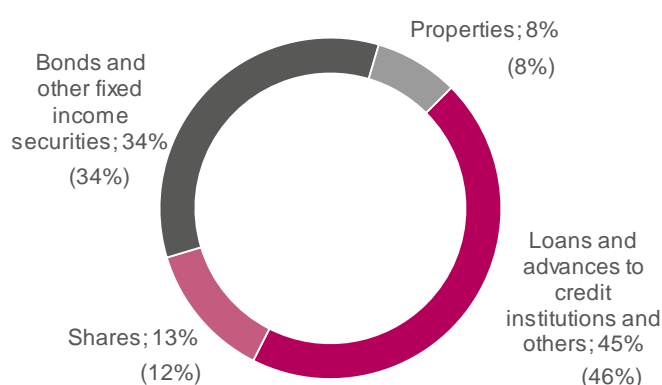
Pension fund

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 occurred 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. These 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
<p>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:</p>		
a) A brief description of the undertaking's business model	2018 Annual Report Information on the BCP Group Business Model	Page 11-28 Page 29-40
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 133-134
c) The outcome of those policies	2018 Annual Report Value added to each Stakeholder Group Environmental impact	Page 136-149 Page 150-154
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 98-99 Page 100-125 Page 136-149
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 13-15 Page 12 Page 136-149
<p>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.</p>		
	2018 Annual Report Non-financial information	Page 132-154
	2018 Corporate Governance Report	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%).

SABEMOS O QUE CONTA

SUSTENTABILIDADE



Employees

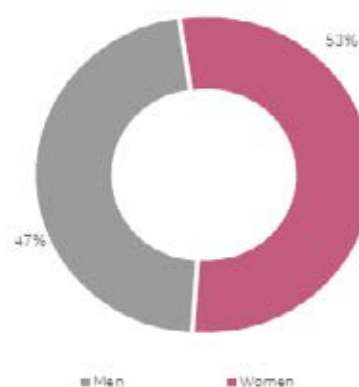
BCP Group ensures, in its different operations, a fair treatment and equal opportunities to all its Employees, promoting meritocracy at all stages of their career and defining their remuneration in accordance with category, professional path and level of achievement of the established objectives

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

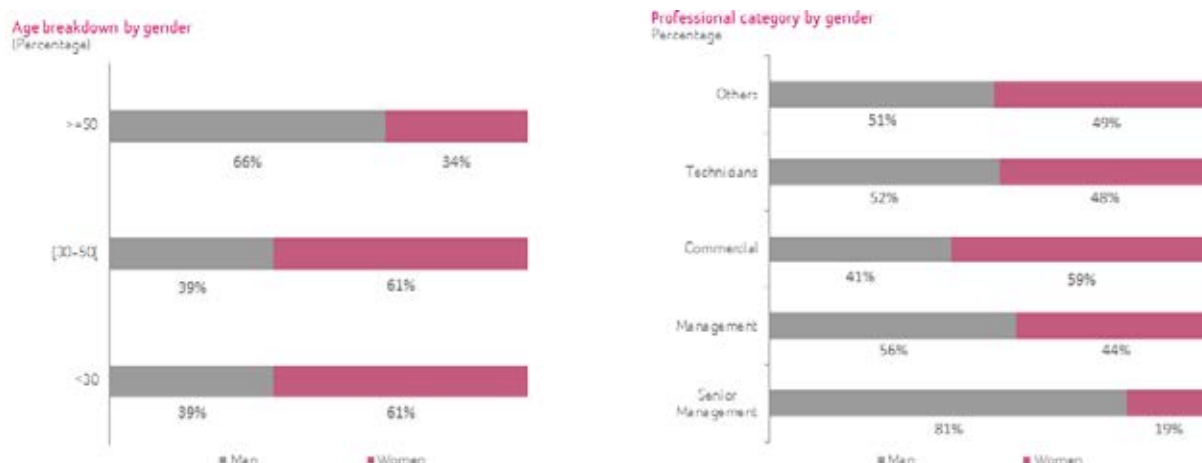
https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Pages/cod_internos.aspx

Breakdown by gender
(Percentage)



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.

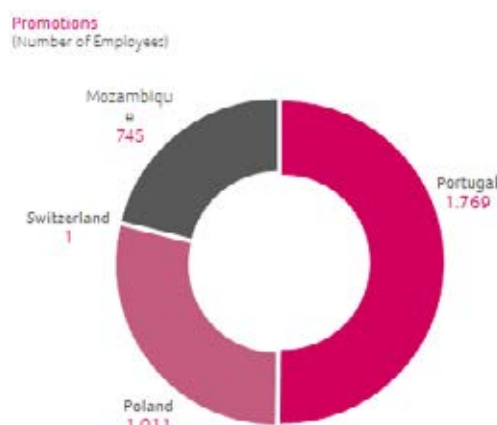
The development programmes implemented in the different geographic areas of Group BCP are thus a specific response to Employees with high performance and potential, enabling: i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and 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.



Experiência Cliente

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%

Note: 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 for 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 Entreaajuda, 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 Entreaajuda.
- 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 people;
- “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.



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), 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 people; “Ballets Russes”, with around 1,860 visitors from 7 July to 20 October. The Millennium Gallery was visited by 7.110 people 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.

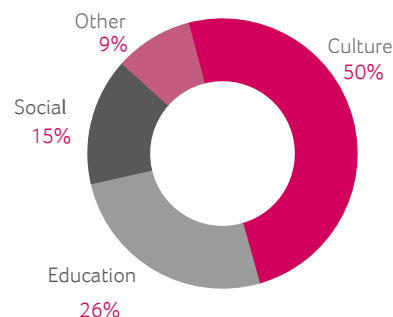


Both spaces subscribed the “International Day of Monuments and Sites”; “International Museums Day”; “Museums Night”; and the “European Cultural Heritage Conference” with the opening of the ANRC and Millennium Gallery with extended visiting hours.

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.

Donations allocated by intervention area
(Percentage)



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 previous 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 Correios (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’s 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 with 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 the 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

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.

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.

Environmental Awareness

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 environmental commitment.

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

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 Customer 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.

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 CO₂ emissions, a 20.6% reduction if compared with the period prior to the replacement.

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.

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.

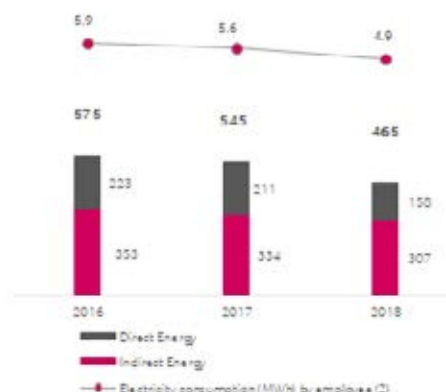
Concerning the domestic activity, Millennium bcp in Portugal reduced all types of energy consumption by 23% in total, and succeeded in attaining its annual target (-3%). Electricity from the utilities grid fell 9% vs. 2017, as mentioned above, a reduction which enabled to avoid the emission of around 2,673 tons of CO₂ and to save more than 500 thousand euros.

Electricity consumption⁽¹⁾
(MWh)



⁽¹⁾ Does not include the cogeneration plant and data center in Portugal, neither energy consumption in Mozambique.

Total energy consumption - GRI 302-1
(T) and Multi-stakeholder



⁽²⁾ Includes the cogeneration plant in Portugal, excludes the data center in Portugal and data from Mozambique.

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.

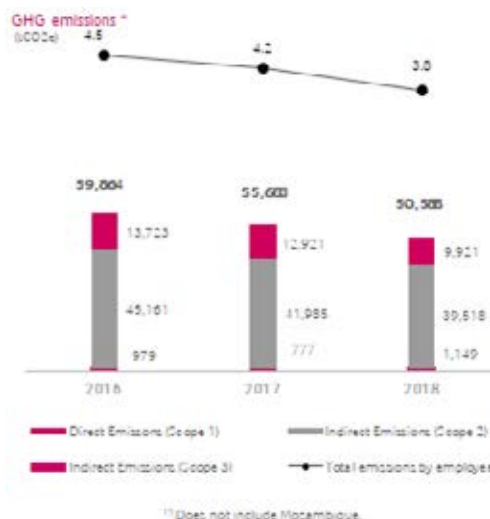
In overall terms, the emissions associated to fuel consumption (scope 1) recorded a slight decrease of 23% compared to the previous year, mainly caused by a reduction in emissions associated with the consumption of natural Gas. Emissions associated to electricity/heat consumption (scope 2) rose slightly 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).

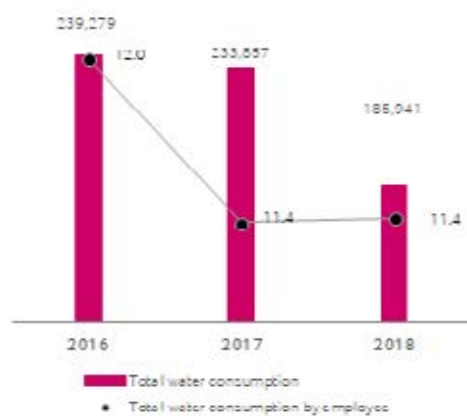
Direct emissions fell 27% year-on-year, mainly due to the decrease in the consumption of fuel, namely natural Gas. Indirect emissions associated with electricity consumption decreased by 26% compared to the previous year, due to the reduction in electricity consumption from the public grid, while indirect 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.

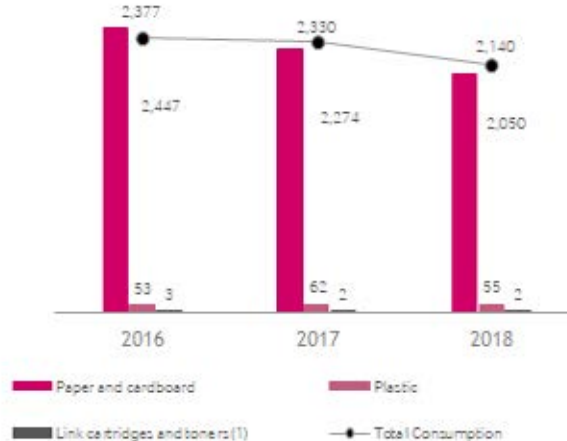
In Portugal, total water consumption was 105,392 m3, down 35% from the previous year due to the decrease in the use of public water for irrigation of the green spaces of the Bank's facilities. In this sense, the annual goal of reducing water consumption by 2% was achieved.



Water consumption*
(m3)



Materials consumption*
(t)



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.

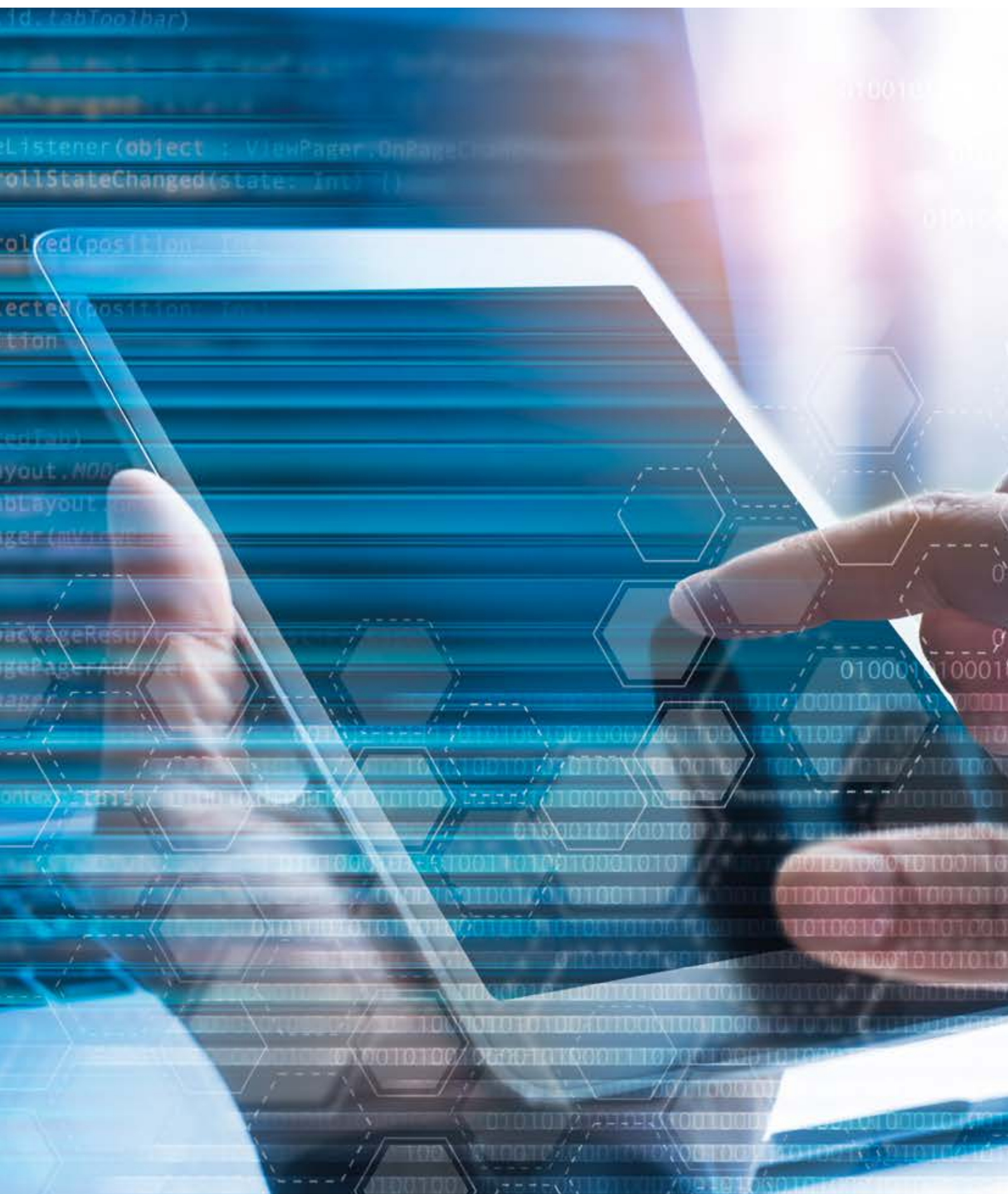
The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in overall terms, fell by 9% in relation to 2017, as a result of the dematerialisation initiatives that have been implemented in all the geographic areas. Ink and toner cartridges also showed a 11% 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 rationale 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