



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

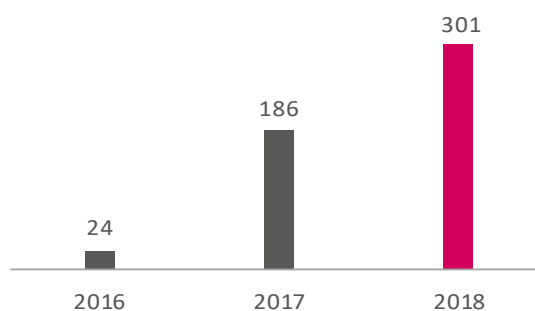
Net income

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).

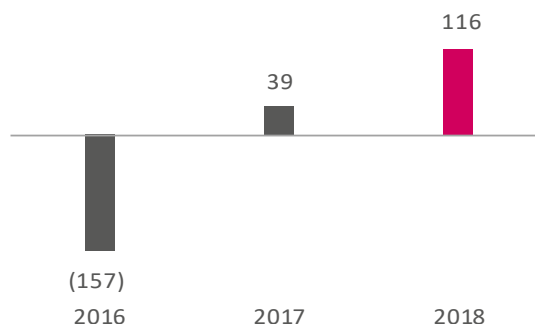
Bank Millennium in Poland reached a net income of 178 million euros in 2018, showing an increase of 18 million euros compared to 160 million euros in 2017, arising from the increase in net interest income, mainly associated with growth in business volume, and by the improvement of cost of risk, despite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

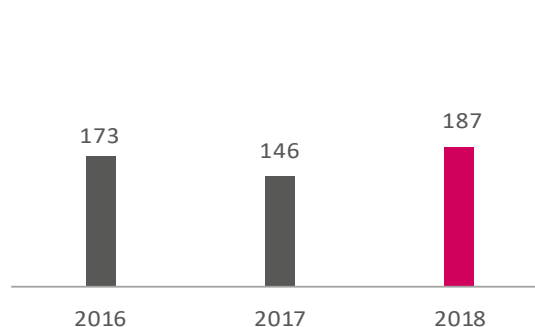
Million euros



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.

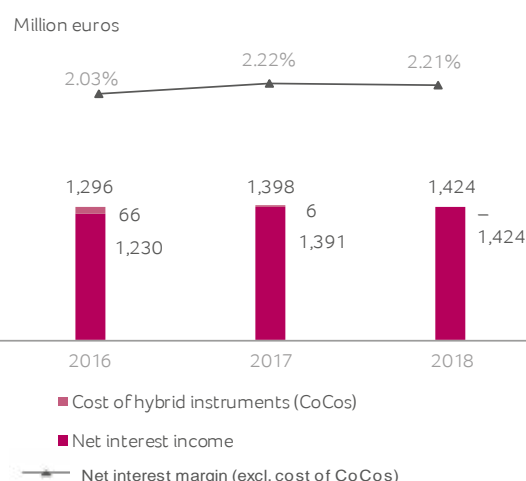
Note: Net income of 2018 (after taxes and non-controlling interests) attributable to the international operations amounted to 187 million euros. For the same period, net income from Poland amounted to 178 million Euros (of which 89 million euros attributable to the Bank). The net income from Mozambique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

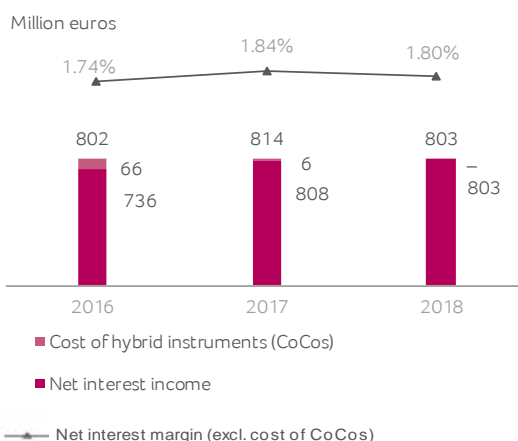
The favourable performance shown by net interest income of the international activity in 2018, compared to the previous year, was mainly determined by the growth of profits generated by the securities portfolio, which more than counterbalanced the reduction in interest related to loans to customers.

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.

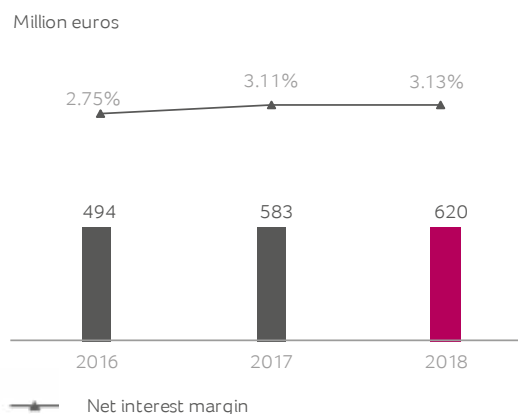
NET INTEREST INCOME

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.

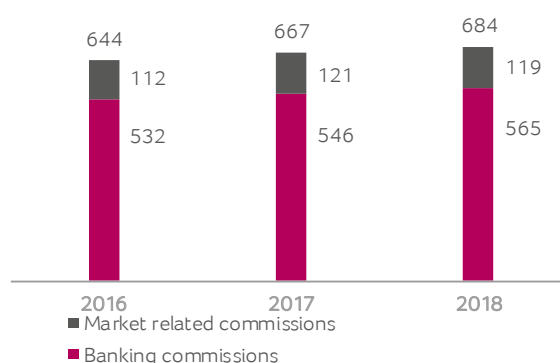
Commissions related to the banking business evolved positively from 546 million euros recorded in 2017 to 565 million euros registered in 2018, mainly reflecting the growth of commissions related to cards and transfers and to loans and guarantees, in both cases benefiting from the performance of the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

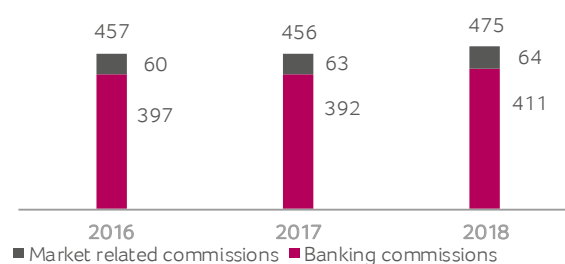
Million euros



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

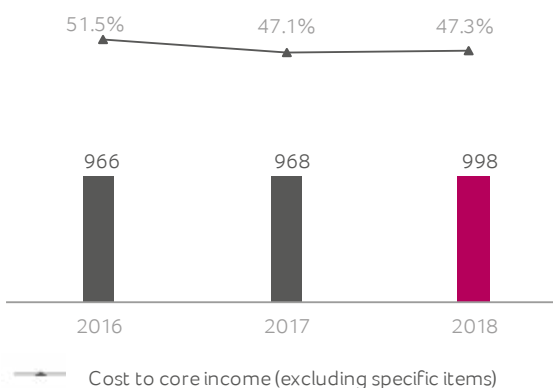
Operating costs include staff costs, other administrative costs and depreciation. In 2018, excluding the effect of specific items², operating costs totalled 998 million euros, standing 3.0% above the 968 million euros registered in the previous year, driven largely by the increase in the international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

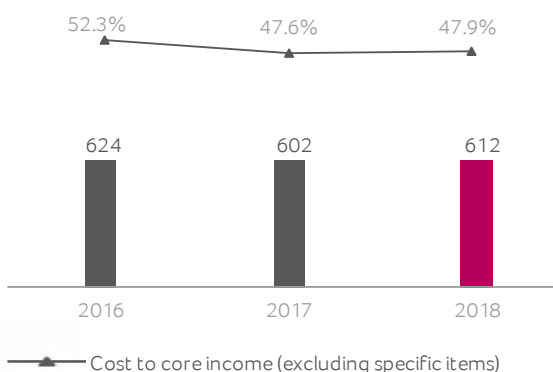
Million euros



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.

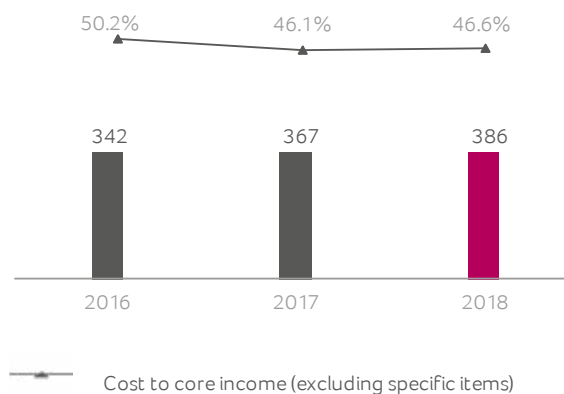
In the activity in Portugal, the cost to core income ratio reached 47.9% in 2018, compared to 47.6% in 2017, reflecting increases in the core income base on the one hand and in operating costs, on the other.

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.

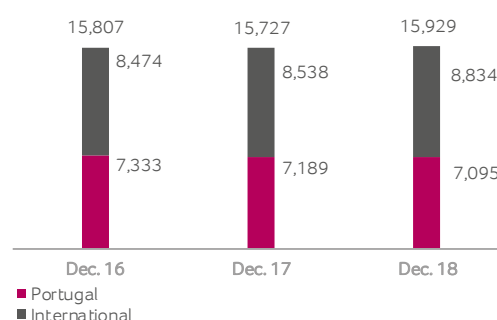
Staff costs

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

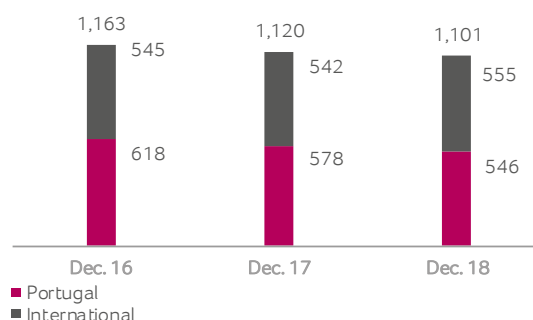
Other administrative costs, excluding the effect of specific items above mentioned, stood at 374 million euros in 2018, remaining stable compared to the amount recorded in the previous year (374 million euros). Just like 2017, the stability shown by other administrative costs on a consolidated basis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

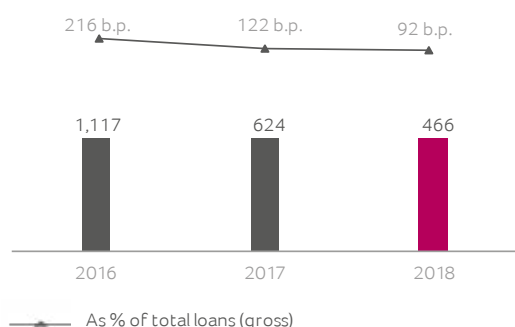
Loans impairment

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



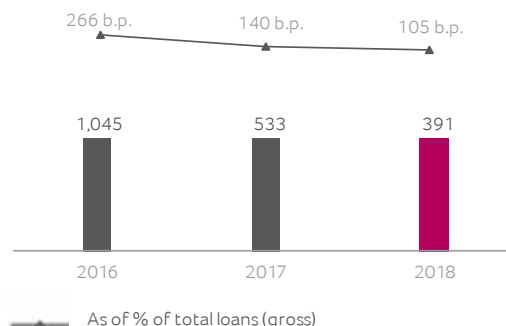
Loans impairment (net of recoveries) in the international activity also showed a very favourable performance by falling 16.8% against the 91 million euros recorded in the previous year, amounting to 75 million euros in 2018, and it should be highlighted the lowest level of impairment charges recognized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

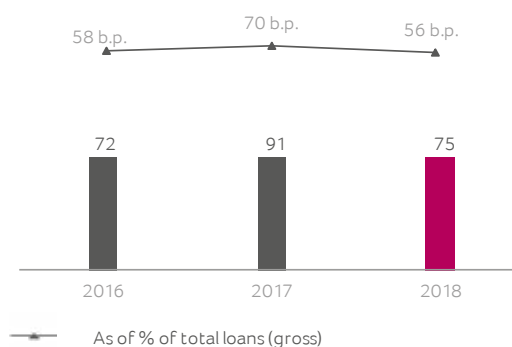
Million euros



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

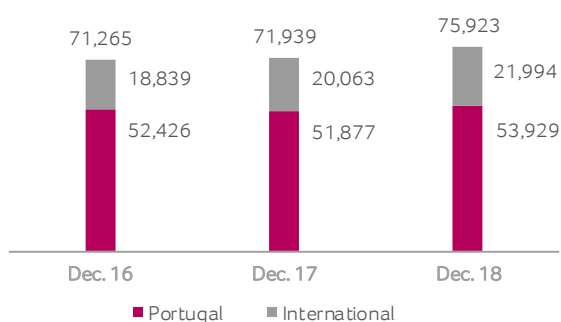
* Includes trading derivatives.

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.

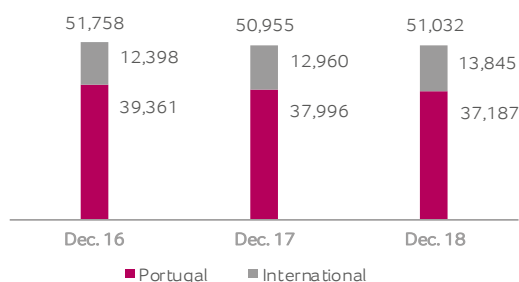
Loans to customers

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%

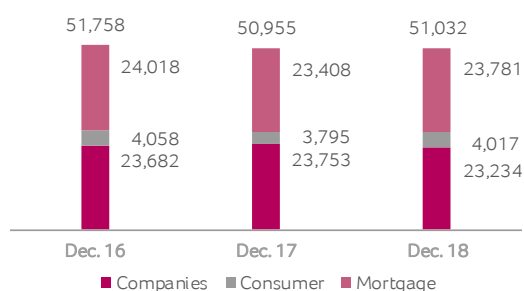
Consolidated loans to customers (gross) before impairment maintained similar and balanced standards of heterogeneity in the period of time comprised between 31 December 2017 and 31 December 2018, with loans to individuals representing 54.5% (53.4% in 2017) and loans to companies 45.5% (46.6% in 2017)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

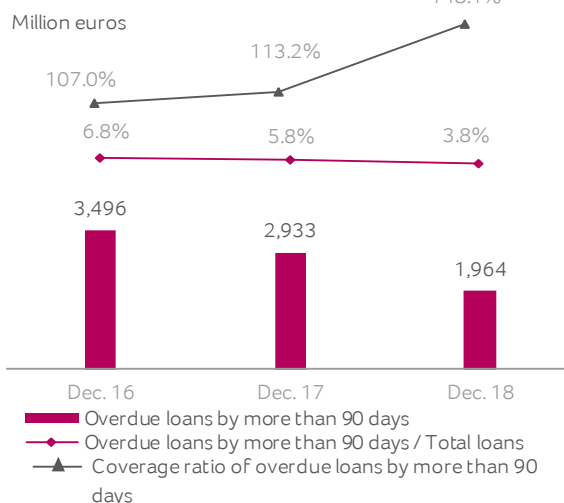
LOANS AND ADVANCES TO CUSTOMERS GROSS

	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

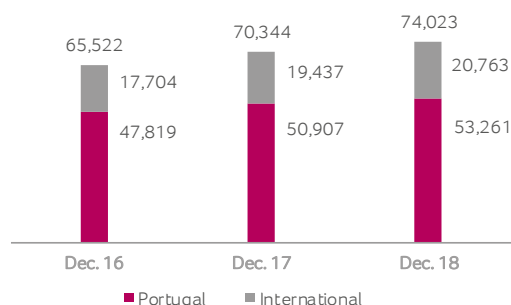
On 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the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

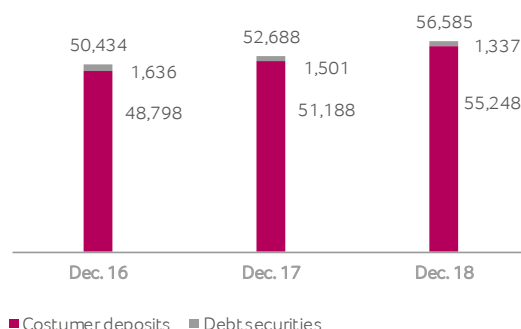
Debt securities, which correspond to the Group's debt securities subscribed by customers amounted to 1,337 million euros on 31 December 2018, registering a reduction of 164 million euros compared to 1,501 million euros recorded at the end of the previous financial year, due to the activity in Portugal.

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.

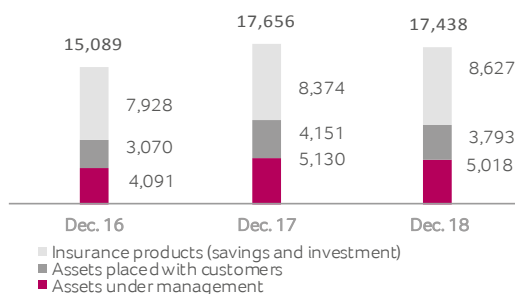
BALANCE SHEET CUSTOMER FUNDS

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 and reactivating Customers in all the Bank's commercial networks, by organizing and

attending events with the Customers, identifying business opportunities in the main countries where the bank operates, scheduling meetings with Customers identified therein. In terms of Collaborative Finance, the Bank developed a solution to help Portuguese companies exporting to Mozambique and new Collaborative financing solutions were developed aiming at the structuring and implementation of Ecosystems for the Customers of Millennium bcp that carry out international businesses.

#1 Bank in Proximity to Economy

- BFin Data-E 2018: Millennium bcp was distinguished as the #1 Bank in Industry, Commerce and in Services being appointed as the Bank closer to Companies, the Most Efficient Bank and the Bank with the most suitable Products;
- Reinforcement of Agrofuturo financial solutions, entering into a Cooperation Protocol with the Portuguese Farmers Confederation (CAP) and Association of Young Farmers of Portugal (AJAP). These agreements establish the preferential financial terms and conditions, namely the the granting of loans, providing bank guarantees, advancing community funds and incentives, that the Bank provides to all agents involved in the CAP and AJAP universe, namely associates and members of that Confederation and self-employed farmers.
- Increase proximity to the agricultural industry by attending the SISAB 2018 - Salão Internacional do Vinho, Pescado e do Agro-Alimentar; the 35th edition of Ovibeja and the 55th National Agriculture Fair and in Agrosemana - Feira Agrícola do Norte.
- Workshops in Coimbra, Funchal and Faro regarding "Funding for Tourism – The best solutions", together with the Portuguese Tourism Confederation (top body for tourism corporate association) within the scope of the Strategic Partnership Protocol established with Millennium bcp, so as to reinforce the Bank's presence on an activity sector that is ever more relevant for the Portuguese economy.
- Support to the charitable institutions Misericórdias Portuguesas: Promotion of the agreement signed between Millennium bcp and União das Misericórdias Portuguesas to develop the project for the qualification of communities that support elderly people (PQCAPI). The inclusion of CNIS – Confederação Nacional das Instituições de

Solidariedade (Portuguese confederation of charitable institutions) in March 2018 broadened the scope of entities able of benefiting from this protocol. Development of negotiations with the EIB and the IFD to find a financing solution able of serving as an alternative to the State Guarantee. This solution is in its final stage and ready to function in 2019.

#1 Bank in Innovation and Recognition of Entrepreneurs

- Millennium bcp was, for the first time, the Leading Bank in PME Líder, being the bank that aided the highest number of companies in their application to PME Líder promoted by IAPMEI and the Bank with the highest number of distinctions attributed, reaching, for the first time, 2,000 distinctions, representing a share that exceeds 25%. This result reinforces Millennium's leading position in the support provided to companies, affirming Millennium bcp as the bank of reference in the support to enterprises.
- The 2nd edition of the Awards Millennium Horizontes was held, an initiative that aims to recognize and award the companies that stand out in the country, promote innovation and growth of Portuguese companies, recording 832 applications (more 262 than in 2017).

#1 Bank in Digital:

- BFin Data-E 2018: This leading position was also reached in digital, being the most used Bank in NetBanking, with a market share of 27.1%, alongside with the leading position in satisfaction with NetBanking, with 52.2% (+7.2% versus 2017). It also reached a leading position in 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 sop of the Retailer within a totally integrated system;

- Immediate transfers in the digital channels (Corporate website and M Corporate App) offering convenience and comfort to our corporate Customers;
- Online Factoring and Confirming, 100% digital, increasing the support given to Companies by means of an integrated process, which will facilitate treasury management

Investment banking









































- In 2018 Millennium investment banking ("Mib") participated in several transactions in Corporate Finance, providing financial advisory services to its Customers and to the Bank itself in activities involving the study, development and making of M&A operations, evaluation of companies, corporate restructuring and reorganization processes, as well as projects' economic-financial analysis and research. In terms of mergers and acquisitions, one must highlight the advisory services for Teixeira Duarte's sale of its stake in Lagoas Park as well as advisory to EDP on the sale of a portfolio of small scale hydro plants.
- In terms of project finance in Portugal, we highlight the closing of the refinancing of PSA Sines, Yilport Iberia, Iberwind and a portfolio of 21 mini-hydro power plants bought by Aquila Capital in Portugal, in which Millennium bcp acted as Mandated Lead Arranger, while in terms of transactions outside of Portugal, we highlight the continuation of the execution of three advisory mandates in Mozambique, two in power generation and one rail and port concession, and the origination of an advisory mandate for the development of a greenfield port in Chile.
- In what regards structured finance, the area analysed, structured, negotiated and set up new financing operations in Portugal (moulds, energy, industry, transportation, hotels and tourism, real state, food and beverage, and others), as well as several restructuring operations for large companies and economic groups in Portugal, being particularly noteworthy in 2018 the successfully closing of acquisition finance of Violas SGPS and Etermar SGPS, and also the Lagoas Park debt refinancing under the sale / ownership change of this relevant business office centre.
- On the debt side of capital markets, note should be given to the organization, structuring and placement of the bonds issued by 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>SONMOR</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 Médis, as a result of the rebranding and by other commercial campaigns which contributed positively for the Retail network and the corporate network earnings, which, if compared with the same period in 2017, increased 7.5% and 13.0%, respectively.

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